

# REVIEW OF REVIEWS

FORMERLY REVIEW OF REVIEWS AND WORLD'S WORK

\* \* \* EDITED BY ALBERT SHAW \* \* \*

## JULY

### THE COVER

Uncle Sam in his attempt to make a glorious show for the American people comes to grief. His horses are poorly selected if he expects to make a lasting hit with the audience.

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The Supreme Court decision has created a dilemma for the New Dealers. Will the President advocate a campaign based on an amendment to the Constitution which might carry with it the threat of dictatorship?

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Published by The REVIEW OF REVIEWS Corporation, 233 Fourth Ave., New York

ALBERT SHAW, Chairman of the Board; ALBERT SHAW, JR., President; HOWARD FLORANCE, Vice President; EDWARD F. HEALEY, Vice President; ROGER SHAW, Secretary; RALPH ROCKAFELLOW, Treasurer.

TERMS:—Monthly, 25 cents a number, \$3.00 a year, two years \$4.50. The REVIEW OF REVIEWS is on file in public libraries everywhere, and is indexed in the Reader's Guide to Periodical Literature. Title Registered U. S. Patent Office. COPYRIGHT, 1935.

VOLUME XCII . . . . . NUMBER ONE



## AWAY FROM THE HEAT AND HURRY OF THE CITY

Well-known to the city dweller is the recurrent longing for green fields and growing things. For the peace and comfort of a house by the side of a quiet road. Where the children may find greater health and safety. Where the air is fresh and clean and tall trees shade the day. The telephone has helped to make that dream come true for countless men and women.

Long miles may separate your office from your home, yet you are never far away. It takes but a moment for you to call your wife or child. And they have but to lift the receiver to be in touch with you, with friendly neighbors, with guardians of their welfare.

Telephone service like this is the result of years of co-ordinated effort by the Bell System. Bell Telephone Laboratories contribute their research and engineering. Western Electric its manufacturing, purchasing and distributing. The twenty-four regional telephone companies, with the assistance of the American Telephone and Telegraph Company, see to it that the latest improvements in the art are made available to all.

Because of this unified plan, today's telephone service brings families closer — friends nearer. It makes homes safer — life fuller.



**BELL TELEPHONE SYSTEM**



# NEW DEAL DILEMMA

BY ALBERT SHAW

New Dealers and labor leaders clamor for a constitutional amendment to legalize their bureaucratic power. But will the President campaign on an issue which carries the threat of dictatorship?



THE UNITED STATES Government begins its fiscal year on the first day of July. The American people celebrate their national independence each year on July 4, this being the anniversary of the Declaration made by the Continental Congress in 1776. Conventions are held and party nominations are made in election years with the beginning of the summer season late in June or early in July. On June 27, 1932, the Democrats at Chicago adopted the platform upon which Franklin D. Roosevelt was elected in November of that year, and to which he gave his explicit approval in every particular. Another year will pass quickly. A Democratic convention will have met on or before the beginning of July, 1936, and—what is more probable than most future things in a world of change and accident—will have renominated Franklin D. Roosevelt by acclamation for another four-year term. It will have adopted a platform paraphrasing in clever fashion the terse planks of 1932.

The newspapers of recent weeks have quoted phrases from that Democratic platform in order to show the extent to which the Roosevelt administration has been shifting its views of federal function and policy. The President himself is a phrasemaker of unusual skill. He has held his ground with a jaunty air of self-confidence that is proof against every changing circumstance or vicissitude. He reveals no misgivings as to the substantial value of any part of his New Deal program. It will, therefore, be the very easiest of all the tasks that lie before Mr. Roosevelt to draft a platform for 1936 that will justify his leadership in every particular, and harmonize his views and actions

**BARRIER**      *Cass Gilbert, Jr., shows Mrs. Roosevelt and fellow architect David Lynn the Supreme Court's new doorway. Here dwells the constitutional threat to New Deal ambition.*



## PRACTICAL

*Roosevelt's Manager, Jim Farley, is quietly building for the next election. With leaders McCloskey and Kelly (in the center) he dedicates Philadelphia's new \$7,000,000 postoffice.*

with the Jeffersonian ideals. In short, the Administration will encounter no embarrassments when next year in platform phrases it reviews triumphantly its own performances during the four-year period through which the country is now struggling.

### Convention Freaks

Undoubtedly the President will hold with perfect sincerity that he has lived up to the spirit of the platform of 1932, while the practical programs of his administration have been developed to meet conditions that could not in many respects have been foreseen. He was swept into power by an overwhelming party vote in the national referendum. Yet it must be admitted that in selecting him to head the presidential ticket the delegates to the Democratic convention were not aware that they were bringing forward a leader who was destined at once to see visions and assume apostolic authority.

William J. Bryan in 1896 was not a recognized aspirant for the presidency. But with a ringing conven-

tion speech he won the Democratic party to the support of an issue, and at the same time made himself the standard-bearer. He never became President; but he remained for almost thirty years the foremost individual leader of the Democratic party.

The nomination of Woodrow Wilson in the convention at Baltimore in 1912 was the result of Bryan's leadership and convention strategy. It is not unlikely that he was prepared to accept honors for himself from a deadlocked convention. His friends had hoped that the defeat of Champ Clark would bring to the "Commoner" the reward of a nomination in what was to be a year of certain Democratic victory, because of Republican division between the Taft and Roosevelt forces.

If Bryan had become President rather than Secretary of State, would we have been drawn into the European War? If John Nance Garner (or Al Smith) had been nominated in 1932, would the country have embarked upon the adventure known as the "New Deal"? It is hard for the

average American voter to understand the profound importance of party choices and decisions in our system of government. The written Constitution, subject to interpretation by federal courts, is essential to the maintenance of our personal and social liberties. But government in its working structure is affected by many customs and institutions that are not prescribed in the Constitution.

### Historic Two-Thirds

The machinery in accordance with which presidential electors are directed to choose a President every four years is of a precise pattern, specified by the written Constitution. But the actual process of designating and electing presidents is extra-legal, and belongs to the established workings of the party system. To make this clear in concrete detail we have only to remark that the two-thirds rule, stubbornly maintained by Democratic national conventions for about a century, has played an amazing part in the shaping of our governmental policies and historical move-



## POLITICS

*Frank C. Walker, Works-Relief chief, studies the distribution of the billions. This vast handout cannot do other than influence both Congressmen and voters in their decisions.*

ments ever since the Democratic deadlock at Charleston of 1860.

The two-thirds rule necessitated the compromises that nominated Wilson in 1912, Cox in 1920, and Davis in 1924. It inspired the strategy that gave Al Smith the nomination in 1928, substantially aided as he was by Franklin D. Roosevelt as a junior political partner. When in 1932 there were clear prospects of Democratic victory, Al Smith naturally sought the reward of his efforts and sacrifices; and the South had among its candidates Mr. Garner of Texas. But the two-thirds rule blocked the path of these candidates, and Mr. Farley's strategy—based upon the methods that had nominated Smith in 1928—prevailed in favor of Smith's lieutenant, who was now coming forward to press his own claims.

It is easily within the bounds of accuracy to remark that Franklin D. Roosevelt up to that time had acquired no recognized place as a leader in national affairs. What he thought about one pending issue after another was asked, but was not answered. His support of Al Smith had

been duly rewarded in his own state of New York. Smith had been Governor for three terms, and could easily swing the Democratic nomination for that office to Mr. Roosevelt. That silvery-voiced orator and campaigner, with the winning smile and the air of youth and hope, had called Al Smith the "happy warrior". He had named Tammany's super-statesman, and New York's most constructive and talented Governor, as the choice of the East for President in an enchanting speech at the national convention of 1928.

### Stepping Stone

It is not often that a Governor of the Empire State has been able while holding that exasperating office to exhibit a quality of statesmanship that electrifies the nation. It was not to reward him for his services as Governor that the Republican machine put Theodore Roosevelt on the ticket with McKinley in 1900. The undisguised object was to get him out of the state because of his insistence upon certain reforms that were op-

posed by the bosses of both parties. Governor Hughes did not owe his subsequent national career to the zealous support of party machines and bosses that he had earned while at Albany. But Al Smith as Governor had grown to the stature of unexpected ability as an administrator. As a public speaker he had become master of a captivating style. He had earned respect as an exponent of social progress. Al Smith as Governor could somehow work with Republican legislatures, and get things done.

Franklin Roosevelt as Governor was not impressive, although justice may not have been done at the time to his own conception of his public services. He was overshadowed by the national attention bestowed upon Judge Seabury, who was conducting a legislative investigation of corrupt government in New York City. Governor Roosevelt's presidential aspirations were taking practical form. He could not afford to break with Tammany Hall and Mayor "Jimmy" Walker. He was grudging and hesitant about Judge Seabury's notable efforts. In the end, however, he was



obliged to force Walker's resignation. The story of his Albany career did not seem at the time to be unfolding along heroic lines.

Certainly Governor Roosevelt was not exhausting himself in the performance of herculean tasks. He was regaining physical strength after a debilitating illness. He was doing what he could for the state of New York, while seeking to avoid collisions that would imperil his control of the great New York delegation to the national convention. He was saving himself for victories on a larger field. His ultimate political reward for the skilful tactics he used as Governor, and for the far-sighted strategy that won for him the nomination in 1932, will take shape (as we now predict) in a unanimous and enthusiastic renomination by his party next year.

### Practical Politics

The young voter will do well to learn that "practical politics" begins to assume control when we come within a year of the holding of our quadrennial party conventions. The party that is in power lays its plans to remain in possession of offices and emoluments. When a change has recently taken place (as in 1933) the party that has come into power does not hastily go before the country with apologies or expressions of regret. For the Democrats in 1936 to repudiate the "New Deal", or to refuse support to the President for a second term, would amount to party suicide, if one states the case from the standpoint of politics as a practical profession.

There are many able Democrats who are increasingly out of sympathy with the policies of the Roosevelt administration. But all experienced men are well aware that Mr. Roosevelt and his "New Deal" will encounter no obstacle in the Democratic convention. If Chairman Farley were drawn out upon the question, he would probably say that the requisite two-thirds majority is already secure enough, and that before the opening of the next Congressional session in January there will be full harmony in the Democratic ranks. He would perhaps go so far as to claim that he expected to take the Louisiana delegation away from Huey Long.

For the Democrats, therefore, the test is not to come in the convention next summer, but at the polls in the following November. Every politician and every keen observer knows that it will be exceedingly hard to turn the scales in next year's campaign. The Administration will demand another four years for the further opportunity to transform

America by virtue of its policies. But while the gospel of the new social order is proclaimed from Washington, the hard-headed politicians, out in the open country, will not be neglecting their practical work, which will have little to do with theories of social salvation but much to do with locality and family benefits.

The army of federal office-holders, in the opinion of government reformers, was far too large before Mr. Roosevelt took the situation in hand. Without reducing old services, he has added scores of new ones. These Rooseveltian bureaus—the existence of which had not been conceived of by any person in authority only a little more than two years ago—have added perhaps one hundred and fifty thousand people to the federal payroll. The new employees of Uncle Sam are for the most part exempt from appointment under civil service rules. They will cling to their jobs with a greater tenacity and a more ferocious attitude than people who have obtained public employment under normal conditions.

These are the new bureaucrats, who think of themselves as conveniently enrolled to save the country. But many cynical persons, disliking the new bureaucracies, think of all these people as tax-eating nuisances and public enemies. Many of them, in point of fact, are people of ability who are trying to shape the new agencies—for which they were in no wise responsible—into something useful enough to justify their continuance. The rank and file of the "New Dealers" are merely trying to save their bread-and-butter jobs at a time when private employment is at low ebb; and there is little else to be said about them. In an article on the Public Works Administration written for our June number by its Administrator, Secretary Ickes, we were told how Senators and Congressmen and other political leaders had sent thousands of job-seekers to the Administrator's office, where more than a hundred thousand unsatisfied applications were still pending. The place-holders and place-seekers are from every state and district, and they will work for Democratic victory next year.

No intelligent person would think of denying that the distribution of the new Public Works fund of four thousand million dollars, under the President's personal control, will bear some relation to campaign politics. There is a comfortable theory at Washington that we can spend ourselves into prosperity, and that we are only at the beginning of federal distribution. The Far West needs money; and it has shaped the policies from which it now derives most

of its agricultural and mineral prosperity. The South needs money; and it is quite willing to sell its traditional "state's rights" doctrine for the hundreds of millions of dollars that it is now receiving from Washington, with the promise of still greater sums year by year as the "New Deal" takes control of banks and credit, and argues that the national debt is far too small for such a country as ours.

Will it be as easy for Mr. Farley to elect Mr. Roosevelt in November as to renominate him at the end of June? Certainly political experience provides no answer to that question. In the understanding of the man in the street the New Deal means nothing more or less than an executive dictatorship, vested in Franklin D. Roosevelt personally. The President gained almost unprecedented confidence and prestige in the critical days and weeks at the beginning of his term. He has retained to a remarkable degree his power to hold Congress in line, with a minimum of friction or disagreement.

Mr. Roosevelt accepts so gracefully the delegation of vast powers to make regulations and to distribute money—powers which Congress abdicates on request—that the House and Senate are not aware of any sacrifice of dignity or authority. They are made to feel that the Administration is merely saving them needless bother about details. So great is the President's personal hold upon the rank and file of the Democratic party that the majority in Congress find it more advantageous to support the White House than to use their own judgment in dealing with pending measures and policies.

### Personal Power

Congress still goes through the form of considering legislation, although the bills are prepared for it by unknown persons working behind the scenes, and are introduced in one chamber or the other as measures that have arrived with Presidential approval.

Regardless of party lines, also, the President has the personal allegiance of millions who receive government bounty in one form or another. They look to him as the source "from whom all blessings flow"; and when anxieties about the future disturb their minds, they are comforted when they remember that Mr. Roosevelt is the farmers' friend, and the wage-earners' backer against the employing class.

That Mr. Roosevelt has consciously sought to create a continuing White House dictatorship is, at the present stage of affairs, neither to be affirmed nor denied. But that such ideas have

now taken form in the minds of influential members of the Administration would seem evident enough. Two years ago the emergency powers granted to the executive were regarded as temporary and exceptional. A crisis had arisen, and this seemed the bold and energetic way to deal with it.

When the election of 1932 had made it certain that Mr. Hoover would leave the White House on March 4, 1933, it would have been safe enough to grant him authority to execute a broad, non-partisan program to avert the impending crisis and to promote business confidence and aid recovery. If the Democrats in that disastrous period—influenced by the president-elect—had shown a coöperative spirit, the country would have been spared an amount of distress that cannot be measured or estimated. And if the short session of that expiring Congress had been less partisan and more patriotic, there could hardly have been any reason for calling its successor to meet in special session, within the week of Mr. Roosevelt's inauguration.

If Congress had not met in the midst of that banking crisis, the course of affairs would, to say the least, have been quite different. It is hardly conceivable that the NRA, the AAA, and other new agencies could have been set up if the crisis created by the unnecessary bank panic had not made the special Congress session necessary. But these things seem

like ancient history as they are now recalled to mind. The crisis was quickly met; but the Administration had entered upon a program intended to regulate industry and agriculture, to restore employment, and to initiate a planned and guaranteed prosperity.

At first it was thought that the greater part of the proposed "pump-priming" and governmental adjustment would have been accomplished within one or two years, so that business could go forward in a normal way on its own regained momentum. But the President—quietly shifting, shelving, and re-arranging his field marshals and the staff advisers of his planned-prosperity program—has ceased to think of the affair as an improvised set of emergency experiments to hasten recovery.

### Revolution?

The New Deal as now viewed at Washington from the Administration's standpoint is a political and social revolution. All pretense of temporary emergency has vanished. Its aims are positive and progressive, rather than negative and conservative. In any such program as that of the New Deal there are the personal aspects to be considered. There are also impersonal, institutional forms of resistance to be encountered in the open field. The country will have to examine the New Deal from both of these standpoints, personal and impersonal.

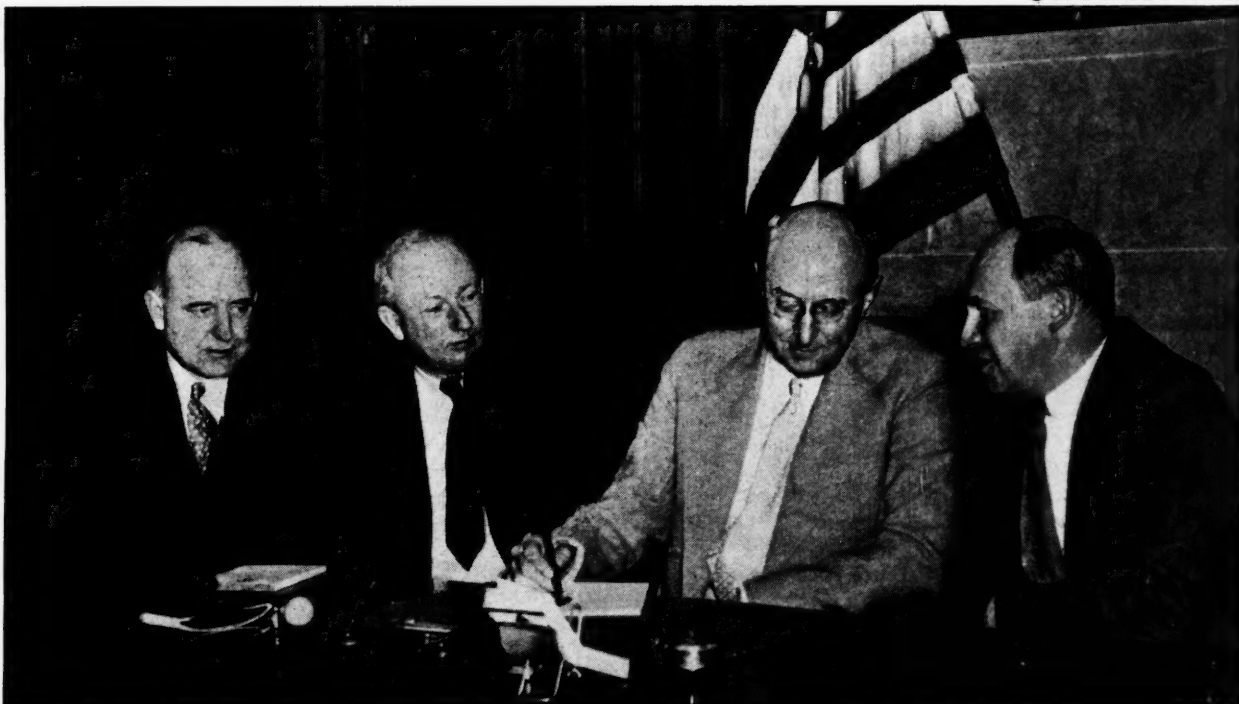
The personal questions, now that we

are entering upon a year of sharp political controversy, will be asked so bluntly that answers cannot well be avoided. Is it not true, it will be asked, that the New Deal centers in the President himself, and that its policies emanate wholly from the White House? The President's vitality seems to increase rather than diminish, and as political leaders reckon their years he is still young. The New Deal seems to be taking the form of what is known in Europe as the corporative state. But European governments of the Fascist type do not limit their executive heads to short, fixed terms. The New Deal seems to require continuance of the kind of personal power that is known in Europe as a dictatorship. But dictatorships do not contemplate rotation in the supreme office.

It has often been asked what would become of the present Italian system if Mussolini were eliminated. Several years ago the question was not easily dealt with. The later answer seems to be that Italian Fascism has actually taken a less personal form, so that it can be defined, and so that its adherents can go on with it, provided that a sufficiently wise and resourceful successor can be found in case of the death or disability of the present active head of the State.

It is perhaps true that Mr. Roosevelt has been exercising greater power, in some directions at least, than any European dictator. But the weakness of his New Deal at the pres-

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### PALL BEARERS

Solicitor General Reed, Senator Harrison, Attorney General Cummings, and Donald Richberg (right) plan their course of action following the NRA death sentence.



ent moment lies in the fact that it is so strictly the President's own affair. If he were suddenly overtaken by illness, or by the unhappy fate that has befallen certain other presidents and rulers, what would become of the New Deal?

It is admitted by all intelligent observers at home and abroad that the strength of the New Deal is found in the creative energy and resourcefulness of the President. He shows a stubbornness of will-power that might remind some older men of Grover Cleveland in certain predicaments, and of Woodrow Wilson in others. But it must also be granted that he shows a buoyancy of spirit, along with a swiftness and dexterity in dealing with large affairs, that brings to mind another Roosevelt in the White House thirty years ago. In the picture at Washington, Franklin Roosevelt's pre-eminence has lost nothing—rather it has gained, in comparison with other men in the present executive group. Who, therefore, could succeed him if the New Deal were to go forward, unchecked and ever expanding?

### No Successor in Sight

Two years ago Lewis Douglas was the outstanding figure in the shaping of the financial policies of the new administration, but he is now in private life; and the later financial policies have no critic who condemns them more severely or with more unsparing analysis than Mr. Douglas. Mr. Morgenthau in the Treasury and Mr. Eccles at the head of the Federal Reserve are Mr. Roosevelt's young helpers and understudies, who are not supposed to give advice but rather to take instructions. Mr. Moley was a

Wide World



*Green cries for an amendment to further the interests of A. F. of L.*

private aid rather than a public character, and his official career was quickly terminated.

Hugh Johnson, who had perhaps felt that his wartime services behind the scenes had merely redounded to the fame of other men, was evidently determined to make the most of his personal opportunity when he helped to shape the National Industrial Recovery Act; and he exulted in his appointment to the job of Administrator. For a time he was in an ecstasy of incessant action and resounding utterance. The glory of power and acclaim had never come more swiftly, so it seemed, than to Hugh Johnson—a man so capable yet so long unrecognized.

The wings of our modern Icarus were not, however, capable of sustaining such flights and such storms; and his return to earth was as certain as the law of gravitation. The N.R.A. had failed in greater part, regardless of the decision of the Supreme Court. The lawyer Richberg now leaves the "skeletonized" N.R.A. and joins the other "has beens." The observer looks about for surviving New-Deal leaders of 1935 model who could stand side by side with the President and not look too small.

Within the Cabinet there are Mr. Ickes, Mr. Wallace, and Miss Perkins. Outside of the Cabinet there are Harry Hopkins and Chester Davis—both of them daring young men who would carry out any administrative job assigned to them with a high order of managerial ability, and with rare fidelity, but also with the bias of strong opinions of their own. Mr. Ickes and Mr. Wallace have emerged from Republican backgrounds; and the Democratic hosts would never follow either of them with any degree of enthusiasm.

Mr. Wallace has seemed of late to be flying in the stratosphere. At least his mind is wrestling with philosophies and theories. He is admired for his sincerity, but he has shown no attributes of leadership. Of Miss Perkins it may be said that if the New Deal were designating a woman successor to Franklin Roosevelt it would more likely to choose someone else, rather than the esteemed Secretary of Labor. Far be it from us to mention any of the President's helpers with disparagement. We are naming some of them merely to remind readers that the New Deal has not yet taken form in such a way that it could be carried on by anybody now concerned with its affairs except the President, himself alone.

The New Deal has come into collision with the Constitution of the United States. In Germany the Constitution of the Republic has been swept away. It was adopted at Weimar

in 1919, and was in force until Hitler came into power at the beginning of 1933. The German federal system also has been scrapped. Hitlerism unifies and consolidates the German people. Prussia, Bavaria, Saxony, Wurtemberg, Hanover, Hamburg—these old political entities lose their distinctive character. The Austrian Empire was broken into a series of national sovereignties, when otherwise it might have been rearranged as a federal republic, including two or three other entities besides Austria and Hungary. Canada holds on to the federal form, and so do Australia and South Africa. Russia also seems to have adopted a permanent federal system of socialized republics, in place of a consolidated empire. Some of the "New Dealers" at Washington are eager to reduce the states to a subordinate position. What stand will the President take on that issue?

### The Dilemma

It will hardly do for the lesser spokesmen of the New Deal to refer with resentment to the recent unanimous decisions of the Supreme Court, while at the same time they say that they recognize our federal form of government and uphold the Constitution. There is a dilemma; and the President, it would seem, has not yet made his choice of positions. The New Deal must curb its program, or the Constitution of the United States must undergo radical changes.

On May 27 the entire bench of nine judges concurred in an opinion rendered by Chief Justice Hughes affecting the validity of the Industrial Recovery Act. Congress had delegated to the President a wide sweep of law-making authority that the N.R.A. had exercised in setting up hundreds of codes and enforcing them. The act in question was invalid on other grounds but in two respects it was obviously unconstitutional. In the first place, Congress had no authority to delegate to the President or to his subordinates any part of its exclusive power to make laws. In the second place, Congress could not delegate power to make laws in fields that it had no right of its own to invade.

Some respect, assuredly, must be shown for distinctions between interstate commerce and the minor business activities of citizens within their own states. Congress could not delegate its power to make laws, rules and regulations to executive officers at the President's sole discretion. Much less could Congress, having no power itself to deal with the ordinary affairs of individuals within their respective localities, confer such rights upon the President or his various agencies.

Mr. Roosevelt is seldom caught off





## OPPOSED

*Owen D. Young tells Senators Townsend and Glass (right) that the Administration's banking bill will retard recovery and postpone needed banking reforms, and perhaps hasten inflation.*

his guard, but he has careless moments. When the decisions of the Court in several cases (made public on Monday, May 27) supplied the needed corrective, Mr. Roosevelt displayed something more than a sense of disappointment. He assumed, at first, an attitude of seeming hostility toward the Court. On his behalf it should be said that he changed his tone quite promptly. At first he exhibited to the press correspondents a number of messages received from various sources, attacking the Court decision. Regardless, however, of what might have reached the President's desk, the position of the Court was impregnable in the opinion of all good lawyers, and in the sustaining sentiment of the country.

The President declared that other parts of the New Deal legislation must also be swept away if the Court should hold consistently to its rulings in the N.R.A. case. This would apply, he suggested, to the A.A.A. policies; and he predicted a ruinous drop of agricultural prices. This was not a fortunate attitude, for the President was not justified in seeking support by forecasting calamities.

We have been able, hitherto, to carry on the government under our federal scheme. It might be said that the numerous lawyers retained by the various departments and bureaus of the Administration, including the Attorney General and his staff, would have served the President better if they had hastened rather than retarded the Court decisions in the N.R.A. cases, as well as the cases affecting other measures that are under challenge, among which may be mentioned the A.A.A. and the T.V.A.

### Choice of Weapons

There would seem to be no way by which the President can avoid an open and frank choice between acceptance of the Constitution as it stands and some explicit attempts to re-write the Constitution in the interest of his program. There is a vast field of usefulness for the federal government, along every line of educational, social, and economic progress, without any change at all in the present balance between the reserved sovereignty of the states and the powers of the government at Wash-

ington as expressed in the organic law and interpreted by the courts.

The American Federation of Labor has taken the war-path for radical changes in the Constitution. The A. F. of L. is a powerful lobby interest, and it holds a menacing club over the heads of many Congressmen. It does not represent the well-being of the general population; but it seeks to use the power of government as a make-weight in its crusade for the so-called "closed shop", and for collective bargaining in all industries, great and small, under its own auspices.

Secretary Wallace seems to have arrived at a theory that would substitute a popular referendum on laws passed by Congress for the test of judicial interpretation. This would seem nothing less than fantastical nonsense. Apart from lawyers retained to protect property interests, it might be asserted that not one citizen in a million had read in full the Wheeler bill that was jammed through the Senate last month—with the President's endorsement—for the destruction of public-utility holding companies. The Courts must be re-

lied upon to see that property is not destroyed or confiscated without due process of law. Voters could not possibly read or understand such long and technical documents as the bills that Mr. Wallace dislikes to subject to the judgment of the Supreme Court.

As for the policies of Mr. Wallace's Agricultural Adjustment Administration, with their restriction of products and their drastic processing taxes, it is enough to say that we have had far too little information about them. Few people know enough to have formed a clear opinion as to their economic character, quite apart from their constitutional validity. Small children will not vote against the observance of Christmas next December 25. What is proved when Mr. Wallace and the AAA bureaucracy persuade farm beneficiaries to vote for further years of bounty?

At Springfield, Illinois, there was assembled on June 10 an informal but well-attended and significant gathering of Republicans from ten Middle Western states. There were more than eight thousand delegates, and still larger numbers of sympathetic visitors. The so-called "key-note speech" was made by Hon. Frank O. Lowden, former governor of Illinois. His address was a carefully prepared defense of our existing constitutional system. Many speeches were made by delegates to the Conference, all of them in sharp criticism of the New Deal policies.

Resolutions were adopted criticiz-

ing the financial theories and methods of the Administration, and pointing out the contrast between the Democratic platform promises and the President's achievements. This Springfield gathering assumed that the President, in consistent support of his plans and policies, would demand changes in the Constitution. As preliminary to the Republican Convention of next year the Middle Western gathering at Springfield regarded this constitutional issue as likely to be predominant in the campaign. The President is adroit, and he is likely to take counsel with Mr. Farley and his political cohorts rather than with his crusading New Dealers, who would undermine the Constitution. But if he should swing strongly to the Right, his radical supporters might turn to the Left and join the various forces that will seek to put a strong third party ticket in the field.

### To the Defense

The only hope for Republican success is to lay aside narrow partisanship, and to invite all men who believe in the soundness of our federal system to join in a movement for constitutional liberty and economic freedom. Senator Byrd of Virginia was defending the Constitution at Williamsburg, while Governor Lowden was expounding its merits at Springfield. Either one of those men would make an excellent candidate for the Presidency, and the list could be extended to twenty or to forty.

The weakness of the New Deal in contrast lies in the simple fact that it has no recognized supporter of presidential calibre excepting Franklin D. Roosevelt.

If we are to have any amendment to the Constitution changing the relative power or influence of the three coördinate branches of the government, let us predict that there will be no curtailment of the functions of the Supreme Court. It would be advantageous to lengthen the terms of Representatives, in order to protect them from the bullying of lobbies and from undue White House influence. It is regrettable that membership in the Senate cannot be based upon the population of the states.

The most desirable of amendments, in the opinion of many thoughtful observers, would take the form of limiting the president to a single term. Mr. Cleveland, Mr. Bryan and other leading Democrats of the past argued convincingly against the evils inherent in the political pressure that is exerted by beneficiaries and place-holders, who subordinate everything to their efforts to hold their jobs through a second four years.

Meanwhile, law and liberty are the heritage of Americans, and we have learned to prize them all the more because so little good has come from our recent sacrifices of ordinary freedom. The country has shown great patience with experimentation. It is time to sweep away illusions, to face the truth, and to call failures by their proper name.

Photographs © Underwood & Underwood



## CONSTITUTIONAL

Governor Lowden (right) last month pleaded for the Constitution at Springfield, Illinois, and Senator Byrd at Williamsburg, Virginia. Republican and Democrat.

# BACKING THE WRONG HORSES

BY DENBER SIMKINS

**NRA is condemned. But the New Deal's real failure to bring genuine recovery lies in its reliance upon two false theories; and the Administration indicates no change from its fundamental mistakes.**

*TEN MILLION unemployed.*

*Twenty million on the dole.*

*Thirty billion in government debt.*

*The building industry paralyzed.*

*Many railroads facing receivership.*

*Banks bulging but few borrowers.*

*Rumblings of revolt from taxpayers.*

*Widespread strikes threatened by labor.*

*Drastic inflation demanded by radicals.*

*An increasing protest against the rising cost of living.*

*A wide assortment of ills caused by crop restriction and destruction.*

*Millions flocking to the leadership of "share the wealth" advocates.*

*Steel industry operating at half-time.*

*Declining profit in many industries; no profit in others.*

*General business above the panic low but far under normal and actually at depression levels.*

Is this the promised recovery for which billions have been spent? Is this the more abundant life?

The New Deal has been granted every power requested. It has been voted stupendous appropriations. It has been vested with authority far beyond the Constitution. It has been permitted to experiment on a gigantic scale. It has been backed by the whole-hearted cooperation of the nation. It has been allowed two years in which to produce results. Still prosperity has not returned.

Why is this so? Why has the New Deal failed to produce a genuine recovery?

Labor says Big Business is at fault. Business complains of the demands of labor. Financiers claim the Securities Act throttles enterprise. Politicians berate the money-changers. Bankers deplore the unbalanced budget. Retailers point to lack of public purchasing power. Inflation-

ists assert that there is a shortage of currency. Silverites cry for wider use of their metal. The thrifty blame government extravagance. The pump-primers say appropriations have been niggardly and demand sums running into astronomical figures. Landlords assail high taxes. The poor blame the rich. The rich wail about the dole. The nation is completely confused.

The simple truth is that recovery is lacking because business men will not forge ahead. Long-range planning is almost non-existent. New enterprise is conspicuous by its absence. Private initiative is paralyzed. Stated bluntly, capital is on strike and will not go to work.

But why is capital on strike? Why do our business men refuse the risk of productive enterprise? Why have they abandoned their characteristic aggressiveness?

Because they feel that they cannot obtain a reasonable return on their capital. Because the country is flooded with false doctrines and dishonest dogmas which threaten confiscation of capital and drastic reduction or complete elimination of profit.

Confidence, that indispensable ingredient of prosperity, is sorely lacking. Is this lack of confidence justified? Are business men unduly frightened and ridiculously hesitant

or are their apprehensions well-founded? To find the answer we must look to the New Deal.

The basic assumptions of the New Deal were enunciated in an address delivered at Atlanta, Georgia, May 22, 1932, to the students of Oglethorpe University. These assumptions, as they appeared in the newspapers, are as follows:

"No, our basic trouble was not an insufficiency of capital. It was an insufficient distribution of buying power coupled with an oversufficient speculation in production. . . .

"Do what we may have to do to inject life into our ailing economic order, we cannot make it endure for long unless we can bring about a wiser, more equitable distribution of the national income. . . .

"In such a system the reward for a day's work will have to be greater, on the average, than it has been, and the reward to capital, especially capital which is speculative, will have to be less."

From the above declaration we obtain two theories which form the foundation of the New Deal. They are: The more abundant life may be secured (1) by producing less and (2) by redistributing the national income so that capital receives a smaller share and labor obtains more.

## The Theory of Scarcity

That we can create more wealth by producing less is probably one of the most absurd theories ever inflicted upon humanity. Nevertheless, millions have been deceived by this doctrine. Probably this is because they harbor a confused conception of wealth. The tendency seems to be to consider money as wealth. Money is simply a medium through which wealth is exchanged. It is a commod-

ity which serves primarily as a common measure of value in trade. We crave money, not for itself, but because of the things it will buy. Real wealth, then, is purchasing power.

Since wealth is purchasing power, it follows that more wealth can be created only by increasing purchasing power.

Purchasing power, in turn, is increased by reducing prices. Clearly,



a broader consumption level is thus reached.

Finally, prices may be lowered by reducing costs through increased production. In short, we diminish wealth by producing less; we increase wealth by producing more. And the more we produce the more prosperous we become.

There is nothing complicated about this. We cannot put a radio in every home by cutting down the number built. Children cannot drink more milk if we raise fewer cows. Everyone cannot enjoy motoring unless we build more automobiles.

The automobile industry, in reality, is a complete refutation of the scarcity theory. Its entire existence has been characterized by a continuous effort to reduce prices instead of raising them, by building more cars instead of fewer. As a result, this industry has enjoyed well-earned prosperity.

Perhaps the most convincing way to demonstrate the falsity of the scarcity theory is to review the results when it is put into practice.

An outstanding example may be found in the NRA. Here the theory was applied to industry with a vengeance. The experiment was launched with everything in its favor. It was hailed and supported by hopeful millions. It was dramatized for the multitude in miles of movies. In one great maneuver the invader, Depression, was to be driven from the land. The scarcity theory was to create the more abundant life almost overnight. It was to guarantee recovery, end many social evils, and place us on a permanent plateau of plenty.

Business men were to increase their profit by selling fewer goods at high prices, instead of more goods at low prices.

Labor was to increase its purchasing power by working fewer hours at a higher hourly rate, instead of more hours at a lower hourly rate. This would end unemployment in a few months.

The benevolent scarcity was to be accentuated by eliminating so-called cut-throat competition.

Little need to detail the result. High wages did not increase purchasing power, but restricted employment and added to the relief rolls. High prices did not benefit business, but increased sales resistance and lowered profits. Instead of eliminating cut-throat competition, high prices fostered monopoly and threatened small business with extinction.

If the NRA had utilized its tremendous energy to increase production, by reducing prices and lowering the hourly rate of wages, it would have rendered a real service to the country because it would have increased

employment, increased annual wages, and restored profit to industry. But this would have exposed the fallacy of the scarcity theory. So a promising panacea was proposed instead of a real remedy.

Defenders of the New Deal will maintain that the failure of NRA was due to lack of coordination, to the greed of big business, to the avarice of labor, to the bungling of bureaucrats; or, if by none of these, then surely to the money-changers. Such lame excuses will not mislead anyone. Failure was inevitable, because recovery never can be achieved by producing less.

### False Prosperity

Consider the results of the scarcity theory as applied by the AAA. Take the case of the South and the effort to achieve a more abundant life there by restricting production and plowing-under the cotton. What has been the result? The South has enjoyed a temporary prosperity which has proved delightful to the unthinking.

But what really is happening? Exports of cotton have declined steadily. Production has increased sharply in foreign countries—68 per cent in Brazil. The South, the world's greatest producer of cotton, is faced with appalling poverty through permanent loss of its foreign markets. The day of reckoning cannot be postponed much longer. When it comes the collapse will have widespread repercussions.

This deplorable development will not hurt the South alone. It will injure the entire country, for cotton is our greatest cash crop. A half billion dollar export market is vanishing. Heretofore, we have supplied the major requirements of the world for this staple. More and more these requirements are filled by others.

It is admitted that the prospective plight of the South is not entirely the

direct result of crop restriction. It is partly due to maintaining artificially high prices for cotton; but this in turn is another application of the scarcity theory.

It is also conceded that the lot of the southern farmers has not heretofore been a happy one, because only one-fifth of them have owned the land on which they lived, the vast majority being "share croppers". But this cannot hide the fact that the scarcity theory has forced thousands of southern farmers off the land, has added complete destitution to their misery, and has left them with no choice but starvation or the dole.

Even if the scarcity theory were sound it could not successfully be put into practice in agriculture, for the most carefully-laid and elaborately-calculated plans will be upset overnight by Nature. Production of grains and hogs was restricted. Along came the drought, and the plans had to be scrapped. More recently dust storms have added to the perplexities.

Ultimate hardship can be the only result of attempts to restrict production. Slaughtering pigs may be the way to achieve a more abundant life, but you cannot convince the worker of this if he is obliged to pay twenty cents for a pork-chop. He also doubts the scarcity theory when the grocer demands forty-five cents for a pound of butter. Doubt becomes conviction when he discovers that we are beginning to pay foreigners high prices for foodstuffs. Consumers would be completely dismayed and in open revolt if they knew that much higher prices seem definitely in prospect.

The evidence of the failure of this theory is all about us. Continued unemployment. Added recruits to the dole. Declining profits in business. Decreased consumption. Greater monopoly. Citizens threatened, penalized, fined, and jailed. Class warfare. Continued stagnation in many lines. Stifled initiative. Rising cost of living.

### Redistribution of Income

The second major theory of the New Deal is based upon the assumption that capital has been taking too large a portion of the national income and that labor has not been allowed its fair share.

This has led to the conclusion that, if we are to restore prosperity, we must redistribute income. We must take from those who theoretically receive too much and give to those who supposedly obtain too little. We must tax the rich to sustain the shiftless. We must soak business to maintain the idle. We must deprive labor to subsidize the farmer. We must penalize the farmer to support high-

priced labor. We must take from the thrifty and give to the extravagant. We must assess the employed to support the indolent. We must rob the investor to care for the spendthrift. We must hamper the efficient to sustain the incompetent. We must divide the Union by fostering class conflict. And then we achieve a more abundant life!

There need be no secret about Huey Long's "share the wealth" scheme. He copied it from the New Deal. True, he proposes to share the *wealth* instead of the *income*, but what is the difference in the final analysis? What good is wealth if it

is not allowed to produce a satisfactory income?

It is not difficult to understand why the promise to redistribute income has caused millions to support the New Deal. After all, the poor are plentiful. It is only human to want something for nothing. But the millions who have been lured by this glittering theory will be filled with dismay when they learn that it will not lead to a more abundant life but only to widely-shared poverty.

Widespread distress has made it possible for persuasive politicians to mislead the people with false doctrines. It has been easier to secure votes by making impossible promises than by dealing with unpleasant realities. The masses in their desperation have been willing to try anything, even quack remedies which purport to cure ills which have never existed.

### Profits Really Low

While informed observers have realized from the start that the theory of redistributing income is not sound, it has been difficult to prove this because clear figures have been lacking. The evidence is now available.

The second premise of the New Deal states that "the reward for a day's work will have to be greater, on the average, than it has been; and the reward to capital, especially capital which is speculative, will have to be less."

This has been a pleasant pill for most of us because we are prone to think that the other fellow is overpaid and that our own talents are unjustly rewarded. This theory has been repeated so often, by men of unquestioned integrity, that it has come to be accepted as gospel. It will be difficult for many to believe that it is absolutely false.

Here are the facts taken from the consolidated reports of all corporations in the United States. These figures cover the fourteen-year period from 1919 to 1932, an era of great business prosperity even though it includes three depression years, 1921, 1931, and 1932:

*The annual profit of all corporations in the United States during the above period averaged only 2.42 per cent of the aggregate gross income.*

*Eliminating the depression years 1921, 1931, and 1932, in which deficits were reported, the annual profit averaged only 4.08 per cent of the aggregate gross income.*

If we consider only manufacturing corporations for the same period, we find that the annual profit averaged somewhat higher, 3.62 per cent of the aggregate gross income.

It may be objected that these figures are misleading because they

show the profit in relation to *income*. The important thing, it may be asserted, is the profit in relation to *invested capital*. Taking the nine-year period from 1924 to 1932 (earlier figures on capitalization are not available), and considering only manufacturing corporations, because that will reveal the largest profit earned, we obtain the following:

*The annual profit of all manufacturing corporations in the United States from 1924 to 1932 averaged only 3.95 per cent of invested capital.*

It may be claimed that this figure is unfair because it covers a nine-year period in which there were two years of large deficits—1931 and 1932. If we eliminate the deficit years (which certainly should not be done, because no business can operate only in good years), we find that the annual profit averaged only 5.88 per cent of invested capital.

It may be said that these figures do not reveal the truth because they cover up excessive salaries paid to executives. A further examination of the record reveals the astonishing fact that in every year from 1919 to 1932, 46 per cent of all the corporations in the United States operated at a loss. This shows that competition for the favor of the buying public is exceedingly keen. Therefore, while executives might take an unfair share of income for a time, they could do so only for a short period. Competitors would undersell them, profit would turn into loss, and the corporation would be compelled to mend its ways or pass out.

The mere fact that nearly one out of every two organizations makes no money at all even in prosperous years proves that (1) business is exceedingly hazardous, (2) that competition is intense, and therefore (3) that profits of necessity are small; in fact, little more than might be obtained by putting money out at interest and letting someone else do the worrying.

## Where Do We Go from Here?

While in 1932 the workers were obtaining more than 80 per cent of the national income, the then embryonic New Deal proclaimed to a harassed people that capital was taking an unfair share. And in the same breath it was asserted that we could achieve a more abundant life by creating less wealth. These are the two false assumptions upon which the New Deal is constructed.

It is upon these two false assumptions that the New Deal is experimenting with the fortunes, the future, and the very existence of 120,000,000 people. It is upon these two false assumptions that it is squandering

Moreover, it becomes apparent that our competitive capitalistic system is automatically regulated by economic law and operates largely for the benefit of the consumer.

Do these figures substantiate the claim that business men are greedy plotters against labor? Do they indicate that corporations are taking an unfair share of the national income? Do they bear out the oft-repeated assertion that capital is growing fat at the expense of the workers?

Let it be emphasized that the figures cannot be questioned or assailed, because they have been compiled from the files of the United States Bureau of Internal Revenue.

### Workers' Share

It also has been asserted that many of our troubles have come about because workers have been deprived of their just share of the national income. It will prove enlightening to look at the facts. The year 1929 has been selected for analysis because that was when business is alleged to have brought on the depression by depriving labor of its fair share.

*In 1929 the workers obtained 63.6 per cent of the total national income in wages and salaries.*

Does this figure substantiate the contention that 2 per cent of the population gobbles up 80 per cent of the national income, or does it prove that contention to be a falsehood?

When this investigation is extended, we discover that:

*In 1930 the workers obtained 69.1 per cent of the total national income.*

*In 1931 the workers obtained 74.8 per cent of the total national income.*

*In 1932 the workers obtained 80.1 per cent of the total national income.*

Here again no one can question the figures. They were prepared for the United States Senate, at its own request, and should be on file for the edification of our lawmakers.

millions of unearned dollars. It is upon these two false assumptions that it is piling up the largest peace-time debt in history—a debt which ultimately may imperil the credit of the nation, a debt which must be paid by labor in toil or repudiated with appalling and incalculable loss to the nation. And it is because of these two false assumptions that business is paralyzed, capital is threatened with confiscation, millions are in distress and recovery is delayed.

Is it surprising that capital is on strike? Is it strange that new financing is negligible, that private initia-

(Continued on page 69)





## BANKER OR BUREAUCRAT?

BY RAYMOND CLAPPER

Marriner S. Eccles, the all-powerful head of our banking system, is the strangest character in that strange wonderland of Washington. His revolutionary ideas bring shudders to some fellow capitalists.

WHEN SOMEONE asks you to make a speech, do not refuse. You never can tell what may come of it. For instance, when young Marriner S. Eccles, a few years ago, agreed to fill-in as a substitute speaker at the University of Utah, he could not have had the faintest idea that his impromptu remarks would lead to his becoming Governor of the Federal Reserve Board with an opportunity to try out his dreams of overhauling the national banking system.

Of all of the paradoxes of the New Deal, probably the most striking one is this slight young Scot-blooded champion of spendthrift economics who now sits in a chair that had been warmed previously only by orthodox eastern bankers.

We have the strange spectacle of

an Administration trying to make the country prosperous by running it deeper into debt, trying to increase the farmer's income by ordering him to plow-under his crops, trying to revive private industry by going into business itself.

We have in the White House a political heir of Jefferson who has turned strongly aggressive in behalf of the Hamiltonian philosophy of greater federal centralization of power. A Democratic Administration is committed to whittling-away what is left of state's rights.

All these paradoxes are the work of an aristocratic President back-grounded with inherited wealth who has dedicated himself to remembering the forgotten man.

In this strange wonderland, Eccles

is the strangest character of all. You walk into a meeting of the House or Senate banking committee, and you hear this young man saying that the Government isn't spending fast enough, that Treasury deficits in a time like this are a good thing, that we could stand a public debt of 40 billion dollars without skipping a heart-beat. You think you are listening to some young college professor, who means well, but who needs to be taken out and given a good dose of practical experience in the world.

Then you look him up and find out that he is of all things a capitalist and banker, who pulled his group of western banks through the bottom of the depression without loss to depositors, without having to call on the Reconstruction Finance Corpora-





## INGRATIATING

*Eccles says his main trouble is that he sells the bankers individually on his startling ideas, but as soon as they are back among colleagues they go native again.*

tion for help, a man who has headed a number of large corporations, built up a fortune on the foundations of a comfortable start given him by his capitalist father—in short, a rugged individualist who made a success of it.

It just doesn't make sense.

How did he ever land in the Federal Reserve Board as Governor? The story goes back to early 1933. Eccles, known throughout the Mormon country as the wealthiest and most brilliant of the younger generation, who was active in numerous leading enterprises, had been a Republican. But the events of the depression had led him to study and think of causes. In the fall of 1932 he decided, with some misgivings as he says, to switch his politics and vote for Roosevelt.

During that winter Stuart Chase, the economist, had been invited to make an address at the University of Utah. A snowstorm delayed his train. Eccles was asked to fill in until Chase arrived. He was still on his feet when the main speaker walked in. Chase heard the concluding portion of his talk and was so impressed that he inquired about the young speaker. They talked at some length later. Chase, knowing the Administration was interested in finding sympathetic persons in that section of the country, suggested that Eccles get in touch with Dr. Rex Tugwell, who was then in New York working over New Deal proposals in preparation for the change of Administration at

Washington. He provided a letter of introduction for Eccles.

About the same time Eccles asked to appear before the "depression clinic" then being conducted by the Senate Finance Committee at Washington. Bankers, business men, economists, anyone with an idea to sell, paraded before the committee. Eccles appeared, a youngish unknown. Only casual attention was paid to him.

## Roosevelt Anticipated

He told the committee that his views might "frighten those of our people who possess wealth". He said the breakdown of the economic system was due to the failure of political and financial leadership to deal with the money problem. The trouble was one of distribution, of providing enough purchasing power to consume the goods the country was able to produce. He saw no merit in simple currency inflation. Rather he had a program based not on one panacea but upon a number of proposals strikingly similar to those which Mr. Roosevelt himself was to adopt shortly afterward.

Eccles advocated the revival of farm purchasing power through the domestic allotment plan for wheat and cotton; the refinancing of farm mortgages on long-term, low-interest arrangements, the giving of a half-billion to the states for relief in 1933; the spending of 2½ billion dollars on public works; the cancellation of allied war debts; the enactment of a

bank-deposit guaranty law, child labor legislation, minimum wage, unemployment insurance, old age pension laws, federal control of securities, extension of transportation regulation, control over communications, unification of the banking system.

That was in February, 1933, a few days before Mr. Roosevelt took office. Except for the war-debt proposal, the Eccles suggestions have in principle been incorporated in the Administration program and most of them into law.

But at the time he attracted little attention. Senators had been hearing so many big headlines in finance—men like Albert Wiggins, Charles Mitchell, and Bernard M. Baruch—that the slight young man, with dark bright eyes darting out of a thin, rather nervous face, did not make any special impression. He was from Utah. Someone had asked him what his occupation was, and he said he was a banker. It seemed a little odd for a banker to be talking this way, but other witnesses were waiting to be heard and Eccles was excused and forgotten by the busy and important Senators.

A little man in Washington at that time, Eccles was a figure of consequence in the mountain west. His father had been a leading factor in expanding the worldly empire of the Mormon Church. The father, David Eccles, Scotch, emigrated as a boy of fourteen with his family to Utah. By the time he died, in 1912, he had de-

veloped (individually and in conjunction with high Mormon church leaders) extensive operations in lumber, sugar, railroads, banks, and insurance, leaving a fortune estimated at \$7,000,000.

Marriner took over management of a portion of this estate which was left to his branch of the family. He had been graduated from Brigham Young college three years before. His summers had been spent learning his father's lumber business out in the logging camps. After his graduation he was sent, after the custom of the Mormon Church, on a missionary assignment abroad. It is a tour of churchly duty expected of young Mormons of position. Marriner Eccles went to Scotland to serve his time in the cause, and there met May Campbell Young whom he married.

Returning to the United States, he unexpectedly through his father's death found himself shouldered with financial responsibilities. At twenty-four he incorporated the family estate as the Eccles Investment Company, becoming its vice-president and general manager. He began acquiring banks and merging them, eventually heading a group of twenty-five institutions in Utah and Idaho, with resources in excess of \$50,000,000. Although he operated in a section of the country where bank mortality was great, the White House said in a statement coincident with his appointment as Governor of the Federal Reserve Board that he had brought his group through the banking crisis in such splendid condition as to reflect great credit upon his ability as a bank executive. Eccles also was listed as president of the Utah Construction Company, one of the largest and oldest companies in the country, building dams, railroads, and highways, and one of the concerns in the "Six Companies" which built Boulder Dam. In addition to numerous directorships he was vice-president and treasurer of the Amalgamated Sugar Company, one of the largest beet-sugar concerns in the country.

### Voice of Experience

So that when he outlined his ideas to the Senate committee he was not speaking as a scholastic theorist, but as a practical and successful banker and business man.

Before returning to Utah, Eccles remembered his letter of introduction to Rex Tugwell and stopped at New York to present it. As a result of that meeting, Eccles became a young man of destiny. Tugwell was planning to bring many key figures into the Administration, and he put Eccles on his list in the field of banking and monetary problems.

After the Administration's unfortunate experience with Professor Warren's attempt to force up the price level by tinkering with the price of gold, and after numerous other false trails had been followed for brief periods, Morgenthau, who was trying to reorganize the chaotic Treasury Department and steady down, brought Eccles in as a special assistant. He went to work quietly backstage, and Morgenthau was so impressed with him that in the following November he persuaded Mr. Roosevelt to name Eccles as Governor of the Federal Reserve Board.

This was one of the most significant things that has happened in the field of monetary affairs. Without exaggeration it is safe to say that it was a quietly revolutionary step. Although Eccles had had more practical business experience than some of his predecessors, he was, judged by their standards, unorthodox and another experimental Tugwell. His earlier testimony before the Senate Finance Committee was exhumed, and hands were lifted in holy horror. Critics of the Administration monetary policy now feared the worst. They watched suspiciously.

### The Grasp for Power

For months there was mysterious quiet around the Federal Reserve Board. Rumors that a central-bank plan was hatching recurred often. Always they were vaguely denied, yet hints continued to trickle through the curtain of silence. Something was in the air. Finally a few months ago the Banking Act of 1935—the so-called Eccles banking bill—providing for strengthening of the Federal Reserve Board's control over monetary and credit policy, was introduced and started on its way through the legislative mill.

It is sufficient for the purposes of this article merely to say that the measure puts into the hands of the Federal Reserve Board a vast extension of power, and tends to centralize this power considerably in the Governor himself, who in turn is linked closely to the White House.

Eccles, in the spirit of his colleagues in the New Deal, is eager to assume these expanded responsibilities; and he has definite ideas as to what should be done. His views had ripened materially from the form in which they were outlined to the Senate committee in 1933, and by the time he appeared before the House Banking Committee in the spring of 1935, to champion his new banking bill, they had become not the ideas of an unknown western banker but the prospective policies of a powerful official, sitting at the head of the

country's national banking structure.

First of all he is not a simple currency inflationist like Senator Elmer Thomas, who believes that regardless of anything else all you have to do to make people prosperous is to print enough paper money. Eccles does not believe the depression was caused by a shortage in the volume of money, and he does not think that it can be cured by manufacturing more money.

### Wiser Income Taxing

Velocity of money is his key. The problem is one, he thinks, of distribution; not a rough sharing of existing wealth as Huey Long suggests, but a distribution of wealth as it is currently produced. This distribution, he believes, can be achieved most effectively through the income-tax system.

"When the volume of money is adequate to support a certain price level for a given volume of production, and unemployment begins to develop and prices begin to decline, it is likely to be because productive facilities are out of balance with the consumers' buying power, and the velocity of money is declining," Eccles says. "The purpose of our public-works system is to keep up production when private business fails to keep up full employment. The loss to the nation, when the national income declines through unemployment, is a loss we cannot afford.

"No monetary policy alone by simply attempting to regulate the volume of money will maintain a stable national income. So long as there is an inequitable distribution of wealth production, which results in excessive saving, we will have depressions. Only by pulling back that part of our savings that we cannot profitably use in new capital goods, and using those funds to give employment to those who become unemployed, can we maintain a balance.

"The tax system, the income-tax system, must be worked in and timed with the money system. When private credit is expanding and there is a budget surplus the Government debt should be reduced. Reduction of Government debt at a time when there is a rapid expansion of private debt tends to offset the inflationary effect of increasing private debt.

"It is very important that the problem of income taxation and the operation of a central banking monetary policy be properly coordinated. A substantial increase in taxes at the present time, which would bring into the Treasury money which would otherwise be spent, would be of no particular help to our economy as a whole. The time to increase income taxes is when incomes are such that



taxes will produce substantial revenues; in other words, during the upswing.

"I believe that there is only one way by which we will get out of the depression, and that is through the process of Government spending until such time as private spending and private credit expand. The expansion of private credit depends upon the will and the ability of private interests to borrow and spend. Until people are put to work through borrowing and spending, the Government must do the borrowing and spending".

Eccles goes counter to most banking thought in regard to the matter of Government deficits.

"I have no fear of a 40-billion-dollar national debt," he says. "The debt is less than 23 billion dollars today when the Treasury balance and the offsetting assets are taken into account. That is less than four months of the normal national income of this country."

His elaboration of his theory of Government spending is of importance in view of the position he holds.

"You cannot increase the present national income," he asserts, "by diminishing Government expenditures. It is the total expenditures of the nation that create national income; and when the community, as individuals and corporations, does not spend, then the Government must."

"If Government spending increases the national income, it increases the ability to pay taxes, and I believe in the Government spending to increase the demand for goods up to a point that will prime the pump."

### Ten-Year Balance?

"I am as anxious as anyone to see the budget balanced. The budget can only be balanced, however, out of national income. The national income can be increased only by employment. I should say that it might be desirable to balance the budget over a five-year period, but I do not think it need be fatal if it is only balanced over a ten-year period."

Eccles thinks the Administration has been too niggardly in its pump-priming efforts. Last year, with normal national income off about 40 billion dollars, only 3 billions were used for pump-priming, he says.

The amazing thing is that, holding views so widely contradicted in the banking world, Eccles should have encountered so little trouble, comparatively, from the bankers over his bill. One explanation is that he has an ingratiating frankness.

He heard that the executive committee of the American Bankers Association was preparing to come out

strongly against Title II of his bill—that section pertaining to Federal Reserve System reform. He took an airplane, flew to Pass Christian, Miss., where the A.B.A. officials were in quiet conference, and sold them to such an extent that they reported on the bill with a mildness that surprised everyone. Some suggestions for alterations were made, notably in the proposed set-up of the open market committee; but, compared with what had been expected, the bankers were eating out of Eccles' hand. It was an unadvertised personal triumph.

Before Winthrop Aldrich, head of the Chase National Bank, testified before the Senate committee, he spent several hours with Eccles, and (so the report goes in Washington) they came much nearer to a meeting of minds than was reflected in the

subsequent testimony of Aldrich. Eccles says his main trouble is that he sells the bankers individually when he talks with them, but that they will not stay sold. As soon as they are back among their banker colleagues, they go native again.

But if he has lost his Scotch inhibitions against spending, he has the determination of his ancestry and Mormon environment. When he is working on a flinty-eyed banker, he is able to maintain undiscouraged enthusiasm. He races along, pausing frequently to say, "That's right, isn't it?" And if his prey is not alertly on guard, he will soon find himself involuntarily nodding in agreement.

There are a lot of important people in the East who wish that the weather had not been so bad out in Utah the day when Marriner Eccles made that impromptu speech.

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### FAMILY

Mrs. Eccles, wife of the Governor, with their children, Eleanor May, John D. (center) and Marriner Campbell.



# THE GOBLINS WON'T GET YOU!

BY W. W. CUMBERLAND

Despite the gloomy predictions of disappointed New Dealers, the country can look forward to better times without governmental "recovery measures", which prove to have done more harm than good.

PRESIDENT ROOSEVELT has recently stated that the United States may revert to the horse-and-buggy stage because certain of the recovery agencies and methods adopted by the present Administration have been invalidated by the Supreme Court. He has also warned the country of 36-cent wheat and 5-cent cotton. Three questions are raised by the President's observations:

1. Does the limitation of arbitrary federal power imply a lower standard of living for the American people?
2. Have the "recovery agencies" aided or impeded business recovery?
3. Is the internal structure of business such that a collapse is probable?

## Early Ideals

Ever since the war, business had been groping in the direction of accepting greater responsibility toward maintenance of production and employment. Group insurance, profit sharing and efforts to minimize competitive abuses through trade associations were all factors of these aspirations. While definite progress had been made during the post-war decade, it was insufficient to meet the impact of the depression.

Inauguration of the National Industrial Recovery Act should have been the occasion for the federal government to take the lead in encouraging and assisting business to assume the responsibilities of industrial self-government. Business men became acutely aware of the deficiencies thrown into high relief by the depression and were eager for a solution. Public psychology and industrial conditions both at that moment were favorable to the establishment of far-reaching and practical self-government in industry.

Many of the early participants in the work of the National Recovery

Administration hoped and believed that this could be done. They felt confident that business, if relieved of the legal inhibitions of the various anti-trust laws, would come to reasonable agreements for the elimination of recognized abuses in regard to excessive hours, child labor, sweatshop wages, improper working conditions, and unfair trade practices.

Since business men were interested parties, they recognized that such agreements should be submitted to the approval of governmental agencies representing the entire public, and that the Government should also act in the role of umpire in the administration of those charters of industrial self-government which should eventually be approved. This was the ideal and the opportunity.

The actuality was quite different. Successful administration of the National Industrial Recovery Act depended upon the formulation of basic principles of industrial self-government, which should then be adapted to the special conditions of individual industries. It also depended upon the selection of a few industries in which abuses were especially prevalent or which were organized in such manner that enforcement could be made effective. In general, practical experience dictated that codes should have been drafted for certain natural resource industries, such as coal and lumber, and for a limited number of manufacturing industries, particularly those producing unidentifiable products, where labor represents the principal variable in costs.

Efforts to codify every industry and sub-industry in the United States were in advance doomed to failure. Responsible and experienced persons connected with the National Recovery Administration insistently urged that the modest and practical course be adopted. But the decision favored a

grandiose attempt to do the impossible.

Actual code-making was a disillusionment to all concerned. Instead of representing a high-minded attempt to solve industrial problems, the process was one of compromise, cajolery, threat and cunning—with disingenuousness the principal attribute of the representatives of industry, labor, the so-called public, and the Government. Getting a code approved was the objective, not whether the code was needed, was

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PROPHETS OF GLOOM

practicable, or would accomplish any useful purpose.

No good result could emerge from such procedure, and the codes accordingly became a dead weight upon business instead of a support to the economic structure. If the National Recovery Administration is to be judged by its effect on recovery, instead of by its title, the organization ceased to be significant a full year before it was respectably interred by the Supreme Court.

### Staging a Show

Instead of developing and applying a body of legal and economic principles for the making and administration of codes, the National Recovery Administration at no time arrived at comprehensive policies as to such matters as price-fixing, production-control, introduction of new industrial processes and machinery, limitation of periods of employment, and the method of assuring and conducting collective bargaining by employees.

Opportunistic and often contradictory efforts were made to meet each situation as it arose. Certainty and order in the business world were replaced by caprice and confusion. The National Recovery Administration not only itself refused to engage in economic planning, but it impeded

business men in that partial and unsatisfactory planning which is an unavoidable accompaniment of private enterprise.

Most of the unemployment which the National Recovery Administration purported to cure was concentrated in the heavy industries. Therefore the policy of reducing hours and increasing wages, without reference to competitive conditions as between industries or as between the United States and foreign countries, assured the continued stagnation of new construction, heavy machinery, railroad equipment, public utility improvements, and the like. For it is precisely those industries, which involve outlays of fixed capital by the purchasers of their products, that would be the most unfavorably affected by uncertainties as to wage rates, costs of raw materials, and other essential factors in the productive process.

By the decision to stage a show instead of do a job, the National Recovery Administration made its own downfall inevitable, involving the loss of the good and practicable features along with those anomalies and excrescences which at no time had a proper place in a serious effort to establish self-government in American industry.

Economic recovery is the most ardent wish of the American people. They recognize the anomaly and the

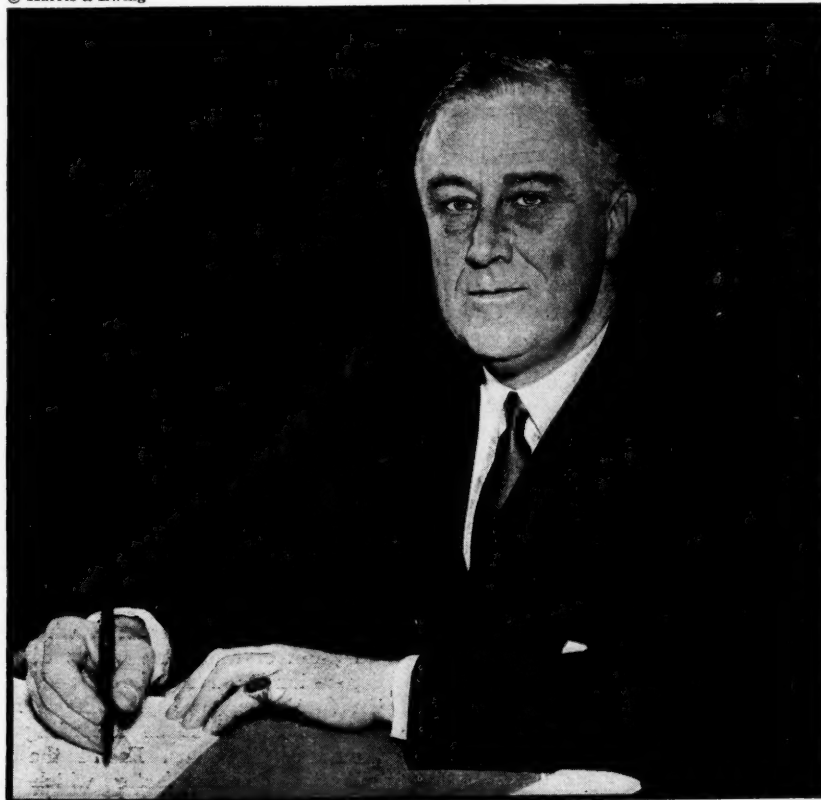
humiliation of millions of unemployed, staggering relief rolls and expenditures, and an unsatisfactory standard of living for the country at large, when each essential element is present for full employment at advancing wages and abundance for all.

Business is more eager than government for recovery. This is evidenced by the readiness of government to adopt discredited methods, entailing economic confusion, and to purvey these to the public as "reforms". Business is concerned not with formulas of recovery but with its actuality; government appears willing to delay recovery unless it is attained according to New Deal methods.

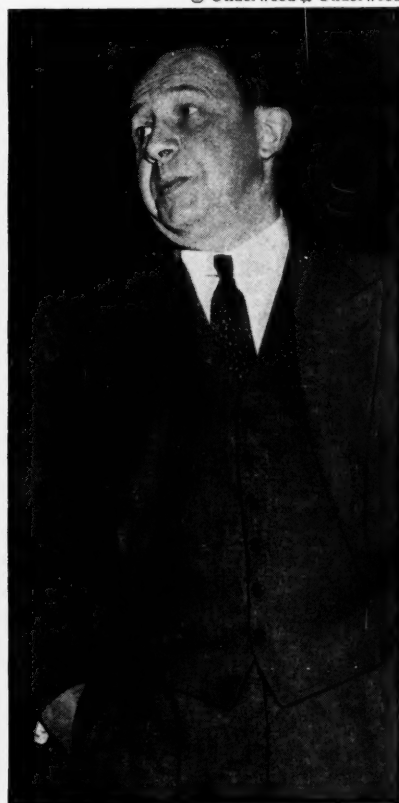
### In Spite of New Deal

A few Americans still remember the comfortable days from 1922 to 1929, before this country enjoyed the blessings of the New Deal. We were not transported by horses and buggies but had more automobiles than under the new dispensation. Some feel confident that the prosperity of those times can be resumed, while eliminating the abuses and excesses which culminated in the depression. Few persons longer believe that President Roosevelt and the New Deal can be credited with the measure of recovery which has taken place.

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*Dire are the predictions concerning our country's future without the Blue Eagle and its codes, which have been emanating from the President himself and from his erstwhile Administrators, Johnson and Richberg.*

They consider that withdrawal of government interference would hasten recovery, and that continuance of interference can only retard but not prevent it. They believe that, so far as salvation has come, the American people has saved itself and that further salvation will be accomplished in like manner. They do not look for great assistance from government, but they are beginning to demand that government shall not act as an obstacle.

## U. S. Recovery Lags

As an agency of potential economic production, the United States meets almost every specification. It is liberally endowed with natural resources, a vigorous, intelligent, and thrifty population, a vast supply of machinery and industrial equipment; large reservoirs of capital, ability for business organization, and ingenuity in the application of science to the task of earning a living. As soon as the forces which caused the depression had spent themselves, the United States should have shown more rapid recovery than any other country in the world.

What does the record show? Virtually all statistical evidence indicates clearly that world recovery began in the early summer of 1932. As the British economist Robertson aptly says: "For some inscrutable reason, economic improvement began to occur about the middle of 1932, and neither the swellheadedness of Germany, the flatheadedness of Great Britain, nor the featherheadedness of the United States will be able to stop it".

Recovery in the United States was temporarily reversed by the uncertainties of our presidential election in 1932 and by the banking crisis which was accentuated by those uncertainties. While the upward movement of business has been clear in this country for the last three years, its extent has been less than that attained by various countries with fewer fundamental advantages.

A summary of recovery in industrial production in selected countries has been prepared by Dr. Alexander Sachs, the first Chief of the Division

of Economic Planning and Statistics of the National Recovery Administration. It is printed below in part.

Unwarranted conclusions should not be drawn from these statistics. Economic well-being in a country is not adequately expressed in an index of industrial production, particularly in countries in which agriculture is important. Moreover, the base year 1928 was one of moderate depression for Great Britain and of high prosperity for the United States. Hence the proportionate recoveries in the two countries are not strictly comparable, although it is generally acknowledged that our improvement is materially less than that attained in Great Britain.

If the United States has emerged from depression at a slower pace than several other countries, while it might properly have been expected to assume leadership in world recovery, doubt is at once cast upon the efficacy of the New Deal recovery agencies. Logic and experience support the statistical evidence which has just been cited.

## Confidence Lacking

Persons not active in affairs are inclined to belittle the importance ascribed by business men to confidence. Handling money, particularly other people's money, is a difficult and serious matter, and responsible business men—and this includes the vast majority in the United States—do not voluntarily make financial commitments unless they believe that the capital sum is reasonably safe and that a return on the commitment is reasonably probable.

Calculations which lead to affirmative decisions must not involve too many unknown factors or factors over which the business man has no control. Excessive risk or uncertainty merely results in refusal to make commitments, and the aggregate of such refusals is depression.

Everyone in active business recognizes that the number of unknowns, uncertainties, and imponderables was greatly increased with the inauguration of the so-called "recovery agencies". Convincing calculations could no longer be made as to prices

of raw materials, wage rates, and prices of finished products. Competitive conditions were more confused, and in many instances there was a direct threat of government competition, either in commodities or services. The labor market was also disrupted by reason of the methods adopted in conducting the relief agencies.

As a consequence, business recovery in the United States has been halting. In the middle of 1933 there was an unhealthy expansion of economic activity, motivated by distrust of our currency and by efforts to anticipate the restrictions and higher prices which business regimentation clearly foreshadowed. Following the precipitous decline in the fall of that year the trend has been slightly but inconclusively upward.

Various forms of economic organization will satisfy logical requirements. Freedom of action on the part of the individual, subject to basic rules established in the general interest, is one system; state operation of economic enterprise is another. Each has particular advantages and disadvantages. Neither can realize its potential advantages if the effort is made to combine it with the other.

Yet this attempt was the fundamental error committed under the New Deal. Private business was told to carry on, but basic decisions on matters of vital importance were to be made by agencies established in Washington. This violation of reason and experience was presented to the country as "economic planning", the most seductive and one of the most dangerous phrases of our generation.

## Far from Collapse

Business is not going to collapse because of the Supreme Court's decision in the National Recovery Administration case. If the court had upheld those far-reaching and capricious powers which had been assumed by the National Recovery Administration, a collapse might have occurred because business men would have been confronted with permanent subservience to irresponsible and inexperienced governmental agencies. If business had been in such precarious condition as to justify President Roosevelt's dire prophecy, his very pronouncement would have created a panic.

There are many reasons why resumption of the acute stages of the depression need not be feared. In the first place, neither collapse nor prosperity take place according to the fiat of politicians. Each is the resultant of complex factors which can be influenced but probably not controlled by governments. Grass has not been found growing in the streets

RECOVERY IN INDUSTRIAL PRODUCTION

	1928	Date	Low Point	Level	Percentage of loss recovered to Feb. 1935
United States	100	July, 1932		52.3	58.5
England	100	3rd quarter, 1932		82.8	146.5
France	100	July, 1932		72.4	2.9
Germany	100	August, 1932		58.5	68.8
Canada	100	February, 1933		51.7	70.8
Sweden	100	July, 1932		71.2	143.5
Italy	100	July, 1932		74.0	89.5
World	100	July, 1932		70.9	117.0



of many cities; 36-cent wheat and 5-cent cotton are equally improbable.

World forces are now moving in the direction of recovery. Recognized authorities in monetary matters and commodity prices agree that rising prices, rather than a resumption of the price decline, may be expected. Business improvement throughout the world affords more substantial reasons for having confidence in the existing level of commodity prices than was the case for that lower level which prevailed during the acute phases of the depression.

By far the most deflationary influence on commodity prices during the early 30's was the continually deteriorating position of our banking system, culminating in its complete paralysis. Frantic efforts by banks to convert their assets into cash meant irresistible pressure on the prices of commodities, securities, and real estate. This situation has completely changed. Banks are now seeking for opportunities to make loans instead of forcing liquidation of loans already outstanding.

### Inventories Now Assets

Because of misgivings created by unbalanced governmental budgets of all kinds, and by willingness of the federal government to act in irresponsible fashion with our currency and credit, tangible property is now regarded as a refuge against monetary caprices, instead of something to be converted into liquid assets at any sacrifice whatever.

In a word, inventories are now regarded as assets instead of liabilities, and this change of attitude is one of the best evidences that the trend of business has changed from recession to recovery.

An authority on commodity prices has devised an ingenious index to indicate the current position of the supply of commodities to the demand for commodities, based upon inventories in relation to consumption during a given period. This index comprises five food items, four items of light commodities, and three metals. Considering total inventories of these twelve items in 1926 as equalling 100, it is found that the most unbalanced relation was reached in October, 1933, when the index stood at 224. It declined to 199 in June, 1934, and the index stood at 167 in May, 1935, or at the most favorable position since the beginning of the depression and with a definitely downward trend.

Thus the improvement from October, 1933, has amounted to 25 per cent, and by this much the likelihood of a recurrence of "36-cent wheat and 5-cent cotton" has been diminished.

In like manner, higher commodity prices, which occurred automatically

as soon as pressure from the banks was removed, have lessened the burden of debt for large sections of the population and improved the relationship between debtor and creditor. This is a normal characteristic of recovery. Not only has the relative burden of debt diminished, but a great volume of private indebtedness has been paid, compromised, or repudiated. Therefore a new and more wholesome relationship has been established.

Among the many useful contributions of the Bank for International Settlements is an annual compilation of the outstanding short-term indebtedness of the world. Since this short-term debt largely represents loans on merchandise, the decline from a world total of \$22,918,000,000 at the close of 1930 to \$10,477,000,000 at the close of 1933, with further substantial reduction during the year 1934, demonstrates that international surpluses of goods are no longer an acute problem. For the indicated reduction in short-term indebtedness could only have been effected by liquidation of the surpluses represented by the debts.

Moreover, it is easy to prove that much of the disparity which existed between various classes of prices from 1929 to 1933 has now disappeared. As an outstanding example, in June, 1932, and in February, 1933, the farmer received the equivalent of 39 cents for what he produced, in comparison with 61 cents for the supplies which he purchased, when each of these index numbers is reduced to the year 1926 as a base.

While agricultural protagonists seriously misused this relationship between agricultural and industrial prices—drawing and even legislating unjustified conclusions—it is gratifying that the index number of such prices is now 81 as compared with 80. Thus the disparity in 1933 was 64 per cent in favor of industrial prices, whereas in April, 1935, it was 1 per cent in favor of agricultural prices, and an important cause of tension within the economic structure has therefore been removed.

To the extent that government intervention has resulted in fictitious prices of certain commodities, with corresponding distrust on the part of the public for such prices, reductions would represent elements of strength rather than of weakness. Removal of all restrictions on cotton production would not bring about 5-cent cotton, but might result in 9 or 10-cent cotton.

*The author was one of those believers in industrial self-government who labored in Washington to help launch NRA but later became disillusioned.*

However, a full crop at these prices would represent more wealth to the South than a partial crop at 12 cents, particularly as the 12 cents can only mean the permanent loss of the foreign market for our largest single export. And the South is rapidly reaching the conclusion that high price and reduced output are not to its interest.

In the case of wheat and corn, the increased crops of the current year bid fair to result in larger income to our farmers, even at lower prices, than did the drought-shrunken crops and the high prices of 1934.

### The Right Path

Finally, a more harmonious relationship has emerged between wages, the value of industrial production, and profit margins. During the depression the ratio of wages to the value of production was so high that profits were not sufficient to motivate business enterprise. Frequently operating losses occurred. About the middle of 1934 the normal relationship between wages and the value of industrial production was re-established, and in the last four months the ratio of wages to the value of output has been somewhat below normal, resulting in the best percentage of profit (as compared to gross income) since 1929.

This situation is a definite stimulus to industry, and it is the best hope for the reduction of unemployment as well as for the maintenance and ultimate improvement of present wage schedules.

To be sure, it is the antithesis of the New Deal policy of raising wages first and trusting that business improvement would follow the creation of this alleged "purchasing power". It has the merit, however, of having proved over and over again that this is the ordinary path out of depression, whereas the theory of "purchasing power at the bottom" has failed utterly to justify the promises of its advocates.

Thus from the point of view of the amount of inventories, the changed attitude toward inventories, the better equilibrium between the amount of indebtedness and the relative burden of indebtedness, the strengthened position of the banking system, and the improved harmony of the entire economic structure, the evidence is uniformly opposed to a renewed period of acute deflation.

Even the petulant and unfounded utterances of the head of the state are not sufficient to undermine the basic strength in the economic structure which, in spite of government harassment, has developed during the last three years of recovery from an acute depression.



## ONCE A SCOUT, ALWAYS A SCOUT

BY FRANK PRESBREY

In 25 years the Scout Movement has grown beyond the optimistic hopes of its founders into the greatest single influence for manhood and Americanism in the nation today. Watch its August Jamboree!

AT THE ENTRANCE to Gilwell Park, training center for Britain's Boy Scouts, is a bronze bison mounted on a tree stump. It was presented by the Boy Scouts of America, and accepted by the Prince of Wales. Inscribed on it are these words: "To the Unknown Scout whose faithfulness in the performance of the Daily Good Turn brought Scouting to the United States of America."

Twenty-five years ago W. D. Boyce, Chicago publisher, was lost in a London fog. He knew where he was going, but couldn't find the place. The earnestness of a lad who helped him out, and refused a tip on the

ground that he was a Scout merely doing his Daily Good Turn, so impressed Mr. Boyce that he introduced the Boy Scout Movement in America.

It had aroused some enthusiasm in England. Would it appeal to the American boy? That was the question in the minds of most of us who became interested in the direction of the Movement in 1910.

There was then little interest in the problems of the boy. The playground was in its infancy. We were without juvenile courts to distinguish between the adult criminal and the boy whose excess of energy got him into mischief. High spirits often led to

trouble, and trouble in turn led to association with hardened criminals and to confirmed criminal habits. It was the day of New York's famous gangs and gang wars. Time has cast something of a romantic glamor over those feuds, but they were serious enough in their day. Youth was rapidly being shut in by the city, and suppressed energy was exploding against safeguards of our social order.

It seemed to me then that the Scout Movement offered a promising outlet for this suppressed energy of the city boy, but I did not anticipate its spectacular success. Today the Scout Movement has more than a million

active members in city, town, and country. It has registered nearly seven million members—seven million still tied to it with a firm bond, for "once a Scout, always a Scout." It has become so thoroughly a part of the American picture that it is difficult to imagine a time when it did not exist. Its most spectacular activities today are taken as a matter of course.

## National Jamboree

An encampment of 30,000 boys—as will be held August 21 to 30 at Washington, D. C., this year in a National Jamboree celebrating Scouting's Silver Jubilee—is accepted as having no problems since it involves the Scout-trained boy. Instead of the uneasiness such a thought would have created a few years ago, there is today only the liveliest interest.

Indeed, Washington was chosen as the site of the Jamboree at the invitation of President Franklin D. Roosevelt. Mr. Roosevelt has for fourteen years been an enthusiastic Scout Leader. He says that for the Civilian Conservation Corps he "borrowed a page from Scouting". He has said again and again that he felt the Movement "represents a new era of moral force in America".

For each of these thousands upon thousands of Scouts the Jamboree will be a unique experience. Indeed, the occasion itself is unique, America's first National Scout Jamboree, celebrating a quarter-century of the existence of Scouting. From north, south, east, and west will come a good-will army of boys for a get-together in the true spirit of Scouting, to share the fun, the thrill, the adventure and comradeship of this greatest event in their lives as Scouts.

The Jamboree Camp, located on the banks of the historic Potomac, close to the White House and the Washington Monument, will be a little world in itself—a Scout world, with its own water system and telephone lines, its own postoffices, trading posts, hospitals, field kitchens, even its own daily newspaper run by Scouts. Meals will be served in community style, on a scale that almost outdoes the power of the imagination. There will be 250 tons of food per day, 900 bushels of potatoes per meal, 100,000 flapjacks for a single breakfast, and other features in proportion.

The Jamboree Scout will detrain not as other tourists in the Union Station, but in his own special section of the camp grounds by railroad sidings specially built for the occasion. Scout guards will be on duty day and night. Washington Scouts will be the official guides through the city, having spent months of inten-



## CUBS

*For lads not old enough to become full-fledged Scouts, there is a program which fits their needs. These boys are "Cubs."*



## FIRST AID

*The Scouts must know how to treat injuries to pets as well as to human beings. This patient survived!*





*Eating easily heads the long list of popular activities among the Scouts.*

sive preparation for this Know-Your-Washington "good turn" to be rendered to their brother Scouts.

There will be rallies, pageants, conferences, a Sea Scout regatta, addresses by notables (possibly including the President), all kinds of sight-seeing tours about the city and in Government buildings, where exhibits of special interest to Scouts will be displayed.

Perhaps no less memorable will be the informal getting-together of Scout with Scout, new friendships formed, new hobbies suggested, new ideas as to how other Scouts scout. These things the visitor will carry back home, along with more tangible



*The Sea Scout program is mainly for boys 15 years old or older.*

souvenirs "swapped," which may include anything from a boondoggle to a snake.

The acceptance of so great an encampment as the Jamboree, as a matter of course, is founded on what the public knows of the Scouting program. The Scout is a camper. At the very beginning he learns to build a fire using no more than two matches and to care for it, and to cook a meal of meat and potatoes in the open without cooking utensils. Before he can make any advancement whatever he knows the compass, has learned to read familiar tracks and follow them, to use a knife and axe properly, knows something of first aid and the rules of safety. In other words he has advanced beyond the general run of campers.

Those, however, are elementary requirements in Scouting. Each one of the boys at the Jamboree, chosen representatives of their respective troops, will be an advanced Scout. He will be able to pack his equipment and hike fair distances, to swim, to improvise a shelter and what he call the "gadgets" that add so much to the comfort of the camper. With his patrol or troop he will be able to pitch a camp and break it in short order.

When he has finally set up his Jamboree Camp it will be a romantic picture of camping as only this country has known it. Adirondack mountain shelters, northwest lumber camps, the tents of our plainmen. Indian shelters—the longhouse of the east, the hogans of the southwest, the tipis of the prairie country. Shelters of his own devising—the Yucca and Pine Tree Patrols, with which equipment he can pitch or break a whole Troop's camp inside of five minutes. And there, too, the Dan Beard and other tents devised by our famous outdoorsmen.

### Learning by Doing

There have been many spectacular accomplishments of Scouting. A half a million boys camping each year on campsites whose total area is greater than that of some of our smaller states. Two hundred thousand tenderfoots taught to swim in the last few years, and a program of safety-through-skill that prevented a single fatality in its camps last year.

Eagle Scouts have built trails in every one of our national parks, trails that compare with the finest efforts of our mountaineering clubs. In the Northwest wilderness expeditions of advanced Scouts have resulted in the discovery of territory hitherto unmapped, including lakes and a mountain peak, which the Geodetic Survey permitted them to name.

In two states alone Boy Scouts as conservationists have planted one million trees.

A selected Scout, Paul Siple, accompanied Admiral Byrd as special aide on his first Antarctic expedition, and acquitted himself so well that the Admiral invited him four years later to join the second expedition, placing him in charge of the biology section with assistants many years his senior. The three Boy Scouts who accompanied Martin Johnson on an African expedition, with bows and arrows of their own making, were able to outshoot the best native archers.

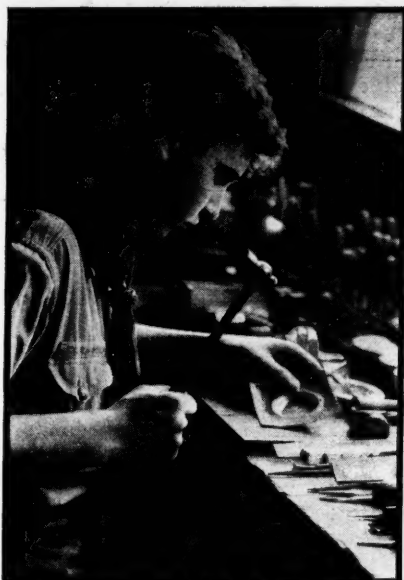
Six million Merit Badges have been awarded Scouts, each badge a little trial in vocational preference in subjects ranging from agriculture to woodworking; and expert opinion is agreed that these "nibblings" are the only practical form of vocational guidance. There are today a thousand Scouts with Radio Merit badges who are operating amateur radio stations under federal license, a scout network in touch with all the world. So large a body of efficient operators may prove of great value in some emergency.

### Daily Good Turns

In country-wide Good Turns during the War, Scouts sold 2,350,977 Liberty bonds, war stamps valued at \$53,043,698, discovered twenty million feet of walnut, a hundred carloads of fruit pits, distributed thirty million pieces of Government literature, planted and tended thousands of gardens. Only last year in co-operation with the national relief administration, the Boy Scouts collected millions of pieces of household furnishings, bedding and clothing for distribution to the needy.

"The Scout's duty to do a Good Turn daily, a device worthy to rank with the sewing machine, the steam engine, and the telegraph (and of infinitely greater worth for the development of character and the making of citizens), puts the boy not only in a position to understand the moral laws under which he lives, but to incorporate them into the fabric of his life." So wrote Dean James J. Russell of Columbia University in speaking of the Boy Scout Movement.

Often the Daily Good Turn requires technical skill and careful preliminary training, particularly when it is a case of emergency first aid. When France's Foreign Minister Barthou was shot last October, the *New York Times* commented on the fact that the life of the aged man might have been saved had not some well-meaning but misguided person applied an improvised tourniquet below the wound instead of above it.



*More than 50,000 Scouts have earned merit badges for metal-working.*

At about that same time a child at a Hallowe'en party, running across the floor, crashed through a window and severed an artery. A Scout was present, and while grown-ups telephoned frantically for a doctor he went ahead and bound up the wound as he had been taught in his Troop meeting practice. He did it so well that when the doctor arrived he announced that he couldn't have done it better himself. "You probably saved the kid's life," the doctor said.

Dozens of other stories like this are on record. Scouts are not only willing to help, but they know what to do, which is equally important. Moreover, when they are through, they are through. They are not look-

ing for praise or reward. Such things are all in the day's work to a Scout.

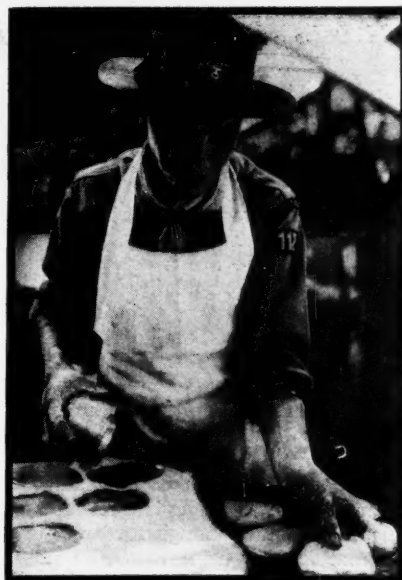
Most frequently, however, the Good Turn is so simple and unobtrusive that no note of it is taken at all. "Bringing in wood and taking care of chickens for a widow when she is sick." "Taking a blind man each Saturday from his office to a special school for blind." "Cleared walks and yards for aged people." "Raked off cemetery for town." So the Good Turn Daily runs.

### Building Real Men

Occasionally this helpful attitude of the Scout has taxed his small strength with serious consequences. Such an incident occurred following the tornado at St. Louis in 1927, when William Farrell kept from his mother the fact that he was ill and insisted on going out with his Troop. A New York paper commenting on the incident editorially said:

"When the St. Louis Boy Scouts were ordered out to help the police in keeping order among the ruins left in the tornado, young William Farrell was ill. But the call of duty was too strong. He insisted on donning his uniform and joining his troop. All day the youngster toiled in the rain, aiding the firemen, untangling traffic snarls, making himself generally useful. Then he collapsed—and died. Consider what an organization is this, to inspire in a lad of thirteen such devotion to its ideals!"

In such organized service the Boy Scouts have made an enviable record following major catastrophes: following the earthquakes on the Pacific coast, the floods on the Mississippi,



*Learning by doing applies not only to crafts but also to biscuit-making.*

and tornadoes in our southern and midwestern area.

"Theirs was the work of men," said a commentator on Scout Service in Florida a few years ago, and it is the essence of the appeal of the Boy Scout Program that it challenges a boy to a man's task. "The appeal to a boy's interests is not primarily because he is a boy, but particularly because he wants to be a man. Every task in Scouting is a man's job cut down to a boy's size."

It is this that has led Dean Russell, whom I have already quoted, to say: "I would consider myself a prince among school-men, if I could devise a school program in which the curriculum should appeal so directly to



### BUDDY PLAN

*The Buddy Plan of protection is based on the idea of placing two boys of equal ability together, so that if the need should arise assistance will always be on hand.*



a boy's interests and the courses of study apply so serviceably to his needs."

Indeed, in certain respects the Scout record is beyond the accomplishment of an average group of men. The Scout Gold Honor Medal is awarded only for a completed rescue of human life made at the risk of the rescuer's life. The 343 awards that have been made are a gallant story of rescues in fire and flood, tornado and storm, in angry seas, quiet lakes, and raging torrents, on ice and on far away wilderness trails.

The majority of them are water rescues, and the ability of these rescuers may be gauged from the following: For a person dressed in bathing suit or nude, to make a swimming rescue of a person who is likewise attired, is difficult enough for any one, no matter how well fitted he may be—but while fully clothed to save a person also clothed is a remarkable achievement for even a full grown and expert swimmer.

In seventy cases in which the Gold Honor Medal was awarded the Scout rescuer was fully clothed when he

made the rescue, and in eighteen he was partly clothed. In sixty-seven cases the person rescued was fully clothed, and fifty-four cases both the rescuer and the person saved were fully dressed. In fifty cases the rescuer was required to recover the body from the lake or river bottom, and the persons saved from drowning were towed on the average forty feet.

### It Pays to Know How

Some of these awards illustrate graphically the difference Scout training makes in efficiency and resourcefulness in such emergencies. A recent award was made to a Scout, James A. Suter, for a rescue on the Wisconsin River in flood water. With fourteen other boys he was sitting on a sandbar, when upstream two youngsters who could not swim fell into deep water and were swept into the middle of the river. Only two boys had the presence of mind to act immediately—Suter and another—and in their preliminary action they showed equally good judgment. They sprinted upstream, and went into the water ahead of the drowning boys to intercept them as they were swept downstream by the boiling current.

At this point the difference in their training began to show. Suter's companion got his boy and began to push him towards the shore. One push sent the struggling boy under water, from which he did not come up, and it was too late when they recovered his body. Suter, who had some experience, having recently won his Life Saving Merit Badge, chose the boy further out in the stream, came up behind him to avoid a strangle-hold, turned him over in a cross-chest carry, and made a long tow with him to shore using the strong current to help him in its sweep downstream.

Willingness to help, without the knowledge and ability to do so, has on many occasions turned an accident into a disaster, and a spectacular method of rescue when a safe method is available is frowned on in the Scout code.

There are two phases of the Scout Program in which I have been deeply interested. The first of these is the world-wide character of Scouting and its opportunities for the building of international friendships, with its possibilities for world peace on the sound basis of understanding and good will.

Two years ago at Gödöllő in Hungary, fifty-six different nations were represented in a Scout World Jambo-ree. The program was arranged to permit a maximum time for intercamp visits and the making of friendships,

and a boy fortunate enough to attend this gathering carried away not only an acquaintance with brother Scouts all over the world and a sense of sharing his ideals with them, but had presented to him in pageant, song, and story the history and customs of the nations represented.

He watched the middle European Scouts do their folk dances in national costumes, native Americans explaining and acting out the symbolism of their own dances, and Philippine Scouts performing the tribal dances of the warlike Moros. At their campfires the Icelanders showed him their "glima" wrestling. He heard Scouts from Bretagne sing their haunting peasant melodies, listened to the characteristic yodel of the Tyrolean Scouts. And he learned that these brother Scouts gathered from round the two hemispheres were good fellows all.

Of even greater interest to me has been the development of a reading program that would play its part in the character-building efforts of the Scout program. I have felt that there is no single influence greater than reading in the life of the boy, no greater influence in moulding his character. The magazine and the book work when the boy is muscle-relaxed, his mind concentrated and open to impression. In such hours he is wax, being moulded, shaped to the form into which he will grow. Through its magazine, *Boys' Life*, its coöperation with libraries and publishers, we feel the Scout Movement has done much to raise the standard of reading for boys.

### The Fascination Lasts

I spoke of the grip of the Scout Movement on its boys—"once a Scout, always a Scout". There is a witchery in this Scout game that is played on forest trail, by mountain stream and lake; the comradeship of campfires and the adventure in well-doing. It is a witchery that holds even us who were grown before Baden-Powell gave the world his Scout idea.

There are today five members of the National Executive Board who were among its first members twenty-five years ago: Colin H. Livingstone, Daniel Carter Beard, John Sherman Hoyt, William D. Murray, and myself. Dr. Jeremiah W. Jenks, Mortimer L. Schiff, and George D. Pratt served in that office until the day of their deaths. Dr. James E. West has been Chief Scout Executive from the first year of the Movement.

Hundreds of others throughout the country are proud of the same record with local councils and troops. "Once a Scout, always a Scout" is true of the Scout Leader as it is of the Scout.



*Dan Beard, enthusiastic friend of scouting, has been the American boy's idol during the past fifty years.*





## THEY WANT TO BE FOOLED

BY MARSH K. POWERS

Why does a supposedly intelligent public fall for obvious overstatement in advertising copy? Surely the outstanding success of our Huey Longs and Father Coughlins proves that Barnum was right after all.

WHEN hard-headed, coldly analytical people read certain forms of advertising copy—such as those of cosmetics, beauty treatments, “foundation garments”, get-rich-overnight schemes, medical nostrums and panaceas—they find it hard to believe that such copy is productive. The claims made seem to them so obviously preposterous that they cannot believe there is an audience so large and so uncritical as to make the copy profitable.

Most of us have listened to certain of our current radio spellbinders as they spray their social cure-alls across the ether. When we find out later, via newspaper reports, the responses of the radio audience, no one of us should have any trouble understanding why the public responds to

the type of advertising copy mentioned above.

The truth is that chronic invalids, unattractive women, the lazy and the greedy, want what they want so keenly that they prefer to close their eyes to any reasoning which might prove their dreams unattainable. They do not want their hopes and yearnings dashed to earth by cold analysis such as the critics apply.

### The Demagogue Parallel

Similarly, the demagogue, on the air or in the auditorium, operates on the tried and tested principle that the majority of his audience is waiting to hear pleasant promises and to revel in glowing word-pictures of what the future will bring them. He

knows that as long as he can make his pictures vividly alluring, the mass of his hearers will not concern themselves with their practicality.

It comes very near the truth to say that the more roseate a demagogue's promises, the more assured he is that his audience will undertake no analysis but, instead, will launch bitter tongue-lashings against skeptics who attempt to prove them impossible of attainment.

The demagogue has plenty of precedent for his procedure.

In his own fashion and in his particular field he is merely applying the familiar merchandising principle that it is always the shrewdest business “to give the public what it wants” (and not try to swim against the stream of public opinion) which

has been preached from many pulpits so broadly and energetically—perhaps too broadly and energetically—in recent years.

The self-deceptive trait of human nature, this instinctive eagerness to believe whatever promises to promote one's prosperity and happiness, on which the demagogues thrive, furnishes constant temptation to advertisers of merchandise and services of the type mentioned in the opening paragraph. They are not blind to the fact that the more they gild the lily in describing what they offer, the more nearly certain is a broad response to their appeals. So many thousands of their readers "want to be fooled" that it takes a firm conscience and a scrupulous pencil not to pamper them and, by the process, wheedle away their dollars.

Where advertisers in many other lines have found it the better policy to be super-careful in their printed messages, even to telling less than the truth if the whole truth sounds implausible, here the opposite holds perfectly true.

### Hope Springs Eternal

A perfume-blender can promise the combined allure of Cleopatra, Pompadour, and Du Barry in every vial of "*Glamour d'Amour Sans Fleurs*" and find hundreds of eternally optimistic women who will save up their dimes to purchase the miracle. It is no deterrent to these women that hundreds of previous dollars, sent out on similar will-o'-the-wisp errands, have utterly failed to accomplish the many-times-promised transformation and have not delivered to them the romance they seek. They will buy face creams and skin lotions from "experts" whose own complexions are evil, and not be conscious of any lack of logic. Hope springs eternal and, in springing, reopens their purses.

Taking the one topic of feminine appearance and allure, let us quote a few current statements of the sort which the advertisers cited would find difficult to prove.

The majority of claims which I am about to reprint appeared in publications which can properly lay claim to audiences well above the national average in education and sophistication—(influences which are supposed to breed skepticism)—a fact that rather forcefully substantiates the assertion that, in reading messages on these particular topics, the readers want something more hopeful than the unadorned truth. In reading them, please understand that the italicized words were in ordinary type in their original appearance and that in no instance did the context

of the quoted phrases modify the statements here reproduced.

"They make your skin look young, **THOUGH YOUR AGE MAY BE SIXTY.**" (Beauty treatments.)

"To the modern woman, **WHAT-EVER HER AGE,** . . . is the quick delightful overture to a fresh and radiant complexion." (Cosmetics.)

"It keeps the lips **ALWAYS** provocative." (Lip stick.)

" . . . holds **EACH** figure to fashion's newest silhouette." (Foundation garment.)

"It **ALWAYS** persuades your silhouette into perfect symmetry—suave, curving hips, slim thighs, rounded rear profile and that flattering new accented bust." (Foundation garment.)

"You'll be a picture of fashionable modern nonchalance the moment you don it." (Dress.)

" . . . Shoes will put grace in your movements."

"You learn the art of exquisite self-expression." (Book on the social graces.)

Obviously any one of us could quickly recite a list of individual women who are forever barred from at least one, if not all, of these attractions—a youthful complexion, or a stylish figure, or a graceful walk, or social charm, no matter how freely they should spend money to gain them.

In spite of that indisputable truth I located only one advertisement in which the advertiser took the precaution to qualify his promises. One maker of foundation garments paid his readers the mental compliment of limiting his claim to "any figure that doesn't require special corseting". All of the others whose advertisements I quoted lumped all women—old and young, thin and fat, gawky and graceful, sickly and healthy, chic and dowdy—into a single, all-comprising group and promised them identical results.

### Humoring Human Nature

Of course, there is much that can be said in support of such copy-poetic license, permissible enthusiasm, and lack of intention to deceive, can all be mustered in its defense. On the other hand, there were many competitive advertisements which described their wares enthusiastically without making these all-inclusive promises.

This "humoring" of human nature is so naive and self-evident in the type of advertising just quoted that, except in the instance of cosmetics and beauty treatments employing questionable ingredients, it has not attracted the fire of those private and semi-official critics of advertising who

are now so much in the public eye and ear. Apparently because these messages are mainly directed at women in the higher income brackets, the doctrine of *Caveat Emptor* is allowed to rule the situation.

Nevertheless even when the procedure seems relatively harmless, this freedom of over-statement actually reacts to the damage of all kinds of advertising.

There are scores of women who do not take the exaggerations of the beauty-appeal advertisers seriously. Though they rarely or never grow vocally militant on the subject, the regularity with which their favorite publications print these over-rosy messages leads them to assume that all advertising is shot through with the same unbridled willingness to overstate the case. No one who lives from advertising can rightly criticize them for this assumption, no matter how it reacts upon his or her unhappy pocketbook.

### Going Too Far

It is impossible, however, to smile complacently when similar tactics are applied to medicines, investment schemes, and certain types of vocational schools and correspondence courses. In these latter instances the hand of the demagogue advertiser slips down into pockets which can ill afford to be rifled and the copy-procedure which may have seemed harmless and excusable in one case becomes definitely inimical to public interest.

Just as the nation faces a difficult problem in meeting and halting the spread of demagogic *isms*, theories, and plans before too large a mass of the unanalytic public has been inoculated, advertising faces a similarly complex problem.

It is not an easy matter to convince all advertisers that the maxim of "giving the public what it wants" should not apply to the preparation of advertising copy.

Here's hoping, however, that some of these not-too-scrupulous advertisers—not to omit their advertising counsellors—as they writhe in agonized protest when reading or listening to our current demagogues, will be conscious of the deadly parallel between their own advertising stratagems and the demagogic appeals at which they shudder.

It may not greatly appeal to them to recognize these demagogues as members of their own business fraternity. The fact, nevertheless, remains that both operate on old man Barnum's basic but dubious principle—that of capitalizing to their own interest the truth that a sizable slice of the public "wants to be fooled".

# PLEBEIAN BUT PROSPEROUS

BY JO CHAMBERLIN

Making and selling the 4,500,000,000 hot dogs which our people eat every year constitutes one of our larger industries. The humble hot dog is America's special contribution to the age of speed.

It is unfortunate that the humble hot dog, which has given comfort to so many million Americans, has never had a eulogist to do for it what Senator Vest did for dogs. To date no deathless tribute to hot dogs has been composed which will ring down the centuries, warming men's hearts with noble emotion.

The truth is that few people have ever thought much about hot dogs, except that they filled a void, despite the fact that fortunes have been made out of this quaint food, known in different parts of the country as frankfurters, frankfurts, franks, Vienna sausages, weiners, weinies, half-smokes, Coney Islands and red hots. In New York even the pronunciation varies: *hot dergs* in Brooklyn, *hot dorgs* among the truck drivers of lower Manhattan, and *hot dawgs* in the Bronx.

Regardless of nomenclature, the hot dog is sold everywhere in the United States. Abroad, it has taken its proper place among other American institutions such as the movies, typewriters, automobiles and floating soap. The Americas have given the old world such aids to civilization as tobacco, tomatoes, potatoes, buckwheat cakes and mince pie, but Uncle Sam can look upon the hot dog as his own contribution to the age of speed.

It was an American who brought this humble and unassuming sausage up from oblivion to a popularity rivalling that accorded a film star... a man plus the great exodus of Americans into the outdoors which began twenty-five years ago when Henry Ford put them on wheels. They haven't had time to stop since, except to fill up and move on.

It is estimated that four and one-half billion frankfurters go down the gullets of Americans every year, or about 400,000,000 pounds. If all the frankfurters were stout five inch fel-



**UNITED**

*Their political tastes may differ, but they can all agree on hot dogs: Hoover, Roosevelt, Al Smith and John Raskob.*



lows, twelve to the pound, and anyone were silly enough to place them end to end they would reach from the earth to the moon. Not only that but several thousand miles of hot dogs would be left dangling in space, to become a contradiction in terms: cold red hots.

Each American eats about 11 or 12 pounds of sausage products per year. Hot dogs comprise about 30 per cent of the total sausage volume, bologna 17 per cent, pork sausage 15 per cent, dry sausage such as salami or cervelat, 13 per cent, and summer and winter specialties, 13 and 9 per cent, respectively. The total value of all sausage products in the United States amounts to more than \$180,000,000 annually.

### Half and Half

Contrary to popular whim, the contents of a hot dog are not one of life's great mysteries. Fact is, they are made of about equal parts of fresh beef and pork, ground fine and mixed with variety of spices. Each packer prides himself on his own particular spice combination. Lower grades of franks contain up to 3½ per cent of cereal or skimmed milk or both, but such addition must be so stamped on each frank. Federal inspection in these matters is quite rigid.

After the franks are stuffed and linked, they are smoked, which process gives them flavor and the familiar reddish tint. They are cooked in water for about 15 minutes, hung up to dry, then packed for distribution. Consequently there is no need to boil them before eating; bringing them up to that point is sufficient. Most large restaurants make it a point to grill them just enough to bring out the flavor.

Frankfurters, like women's figures, vary greatly in length, breadth and thickness. Obviously, frankfurters made to sell at lower prices will not be of the same quality as those made to sell at first-grade prices. The reputable packers have long waged a campaign on quality meats. There can be a price spread, selling franks at retail by the pound, of as much as 10 cents.

Franks manufactured to sell with a roll for five cents are usually smaller in diameter, even though as long as those made to sell for ten cents, and in most cases the quality will not be as high. Franks made for the restaurant and hotel trade may be quite fat and thick, and may run as large as seven to the pound, in contrast with the ten or twelve to the pound which is the lot of the everyday frank.

The hot dog is democratic. Such hotels as the Waldorf-Astoria serve him up piping hot, with sauerkraut

or beans, and among the clientele of the lowliest roadside stand, as the owner will proudly tell you, are people who drive up in Cadillacs and Lincolns.

The hot dog has to compete with such regional delicacies as hot tamales in the Southwest, pecan pies and gumbo in the South, clam chowder in New England, and barbecued beef and pork everywhere, but he is the number one profit maker of the roadside stands which line our 900,000 miles of highways. The American Automobile Association says that thirty million Americans will take to the open road in 1935 and that they will spend about three billion dollars en route. Of this amount over 630 million dollars will be spent for food, with hot dogs accounting for a fair proportion. Beaches and resorts, of course, sell lots of franks. Jones Beach, near New York City, sells a ton or more every day during the hot spells, the top being 4½ tons, or 70,000 hot dogs, served to hungry visitors on a Sunday of last season.

On Decoration day, 1935, about 65,000 people attended the double-header at the New York Polo grounds. Some 40,000 rolls were consumed in hot dog and other sandwiches, so it can be seen that the humble frank puts money in the pockets of bakers as well as the packers. Over a summer week-end in the Metropolitan area a good half million hot dog rolls are consumed, probably more.

Franks are most popular in the East, and after that, perhaps the West Coast. At ball games the Eastern fans like hot dogs, but do not care much for popcorn, which sells well in the Middle West. Soda pop is bought with hot dogs in the central states, but in the East the fans prefer coffee, lemonade, or ginger ale. Ham sandwiches outsell franks in the Middle West, and hamburgers, highly spiced, do the same in the South West. Race track fans everywhere will eat franks, but no peanuts, because they have to have a program in one hand and a pencil in the other. Peanuts go to people who sit still; the race track man is always on the jump.

### The Quick Bite

The packers have no way of knowing what proportion of franks is consumed in the home or in restaurants and what proportion is eaten at picnics, ball parks, race tracks, in the out-of-doors. The fact remains that consumption takes a healthy jump during the summer months, for the frank is ideally suited for a quick bite in the open. He is in tune with an age which wants things done in a rush.

The red hot is essentially modern,

but sausage has been made since earliest times. It was popular in old China and the early Babylonians swore by it, as attested on stone tablets. Sausage is mentioned in the oldest cook book which has come down to us. In Book Four of the *Iliad* Homer speaks about some of the lads being "The first in banquets, but the last in fight," yet one can understand this deplorable fact when he mentions that fine sausage was on the bill of fare at the feasts, festivals, and class reunions of those days.

During Roman times the early Christians had a habit of getting together. Sometimes they would meet involuntarily in the arena. Other times they would gather in the catacombs or the Campus Martius, which was the Union Square of those times, to make arrangements for meetings and modest feasts. At these affairs sausage was highly regarded, with the result that the Romans cracked down on the Christians with a decree prohibiting it entirely as an instrument of the devil. Human nature being what it is, it is not surprising that sausage was soon bootlegged in the dark corners and back alleys.

### Hot Dog Ancestry

During the Middle Ages, sausage makers were respected as artists and men of importance in the community, and their craft thought of as one requiring diligence, skill and all-round nobility of soul.

The modern red hot is a lineal descendant of those countless millions of frankfurter style sausages which went into the stomachs of our German forebears, along with copious draughts of wine and beer. Whereas Italian winters are mild, with the meat requiring more spices for preservation, German winters are cold. The frankfurter is mild. Even so, he probably has a good deal less aroma, and strength of character today than did his ancestors, for those old makers didn't do things by halves.

Anyway, sometime in the Middle Ages, and probably in the city of Frankfurt am Main, someone got the idea of adding ground beef to pork in about equal proportion . . . and the frankfurter was born. For decades, however, he labored on, not altogether unhonored and unsung, but receiving merely casual acceptance and respect. He had not yet attained the status of an industry.

During the nineteenth century he wandered, Odysseus-like, to the American shores with his German makers, but it was not until Americans began roaming around the countryside in cars for no reason at all, that he amounted to something.

Credit for bringing the humble hot



**COLD** After the casings are stuffed, workers measure them off, put in the traditional kinks.



**HOT** Franks fill a void in youthful stomachs, put dollars in the pockets of innumerable vendors.

dog to its present estate is usually given to the late Harry Stevens, caterer and concessionaire at many sports events. His full name was Harry Erasmus Mozley Augustine Stevens, and he loved to quote Byron. Such literary interest, however, did not limit his attention to business. Running the refreshment concession at New York's Polo Grounds, in 1900, he discovered that sausages in rolls went well with the baseball fans on cold days. Franks held the heat longer than other hot meats because of their skin covers.

Tad Dorgan, the cartoonist, began putting them into his pictures and called them *hot dogs* for the first time. For instance, a number of franks would be shown sizzling on a grill, with the word balloons containing such pithy phrases as "Bow wow" or "Oh, my heart is breaking." Near the grill would be signs reading "Harry Stevens' Trained Hounds—10c a Copy," "Harry Stevens' Kennels" or "None of our dogs are repainted." People laughed at the canine implications and soon began to ask for them at the ball parks. Stevens saw that hot dogs were on hand at every concession he operated from then on. He died in 1934, a wealthy man. To his firm, which operates concessions at major league ball parks, race tracks, prize fights and the like today, the frank is still the number one item.

For a long time, the packers have endeavored to get people to use the term *frankfurter* or *red hot* instead of *hot dog*, but the latter seems one of those Americanisms which can't be budged. The plain truth is that they will resist to the utmost any effort to give them false tone or swank. Theirs is the company of the great by inherent right, and the cocktail frankfurter, to which this writer is very partial, has climbed the social ladder into the blue blood company of caviar and pate de foi gras, without bothering to dress.

### Official Christening

Even the New York State Supreme Court recently rendered a decision no less striking than the federal ruling on the NRA, which referred to them as "those plebeian, but popular, elongated commodities technically denominated frankfurters, but in resort idiom, characterized hot dogs". So, *hot dogs* it is, until the Court rules otherwise.

The Japanese seem to be taking up hot dogs along with American baseball, but the Chinese do not eat them. Perhaps they remember the invention of chop suey for which they have been unjustly held responsible. In France, frankfurts are popular at tea and outdoor functions, and advertising has increased their sale.

Even though they are a product of a hopelessly capitalistic nation, Russia is also taking them up. An American expert baker employed by the government's baking trust suggested a short time ago that 150 hot dog style sandwiches be put on sale in Moscow under the Russian name of *goriachie sobaki*. They were sold at once, and the output of hot dogs by this Moscow bakery is now 5,000 per day. Ah, the romance of industry!

The tastes and moods of mankind are, of course, mirrored in their foods as well as in their flags, flowers and jokes. Italians wax enthusiastic over spaghetti, the English will defend their roast beef to the last man, and the Germans sing about beer and sausages. And it is not mere coincidence that national foods and drinks usually complement each other. Highly seasoned Italian sausages go well with native wines; the milder German sausages go well with pumpernickel and beer.

Today, the hot dog goes well with coffee, beer, milk, pop, or that much over-rated drink, water. We do not claim that these beverages would please a Brillat-Savarin, but they are part of the daily diet of many millions of Americans. The hot dog fits in with them—and the age of speed . . . so well, in fact, that he constitutes one of the country's most plebeian but prosperous industries.



# WHAT WEATHER MEANS TO YOU

BY DONALD A. LAIRD

Man, who discovered fire and clothes and shelter thousands of years ago—and then stopped experimenting—is making a new assault upon the whims of Nature as they affect everyday living and working.

MARK TWAIN is always good to quote, but the march of science does make some of his jokes out of date. Take his comment about people talking a great deal about the weather but not doing much to change it. In the last two or three years many thousands of people have changed their weather, and in the next few years many times the present number will have taken the weather into their own hands—or into their own cellars.

Where this present generation is not able to make the weather to suit

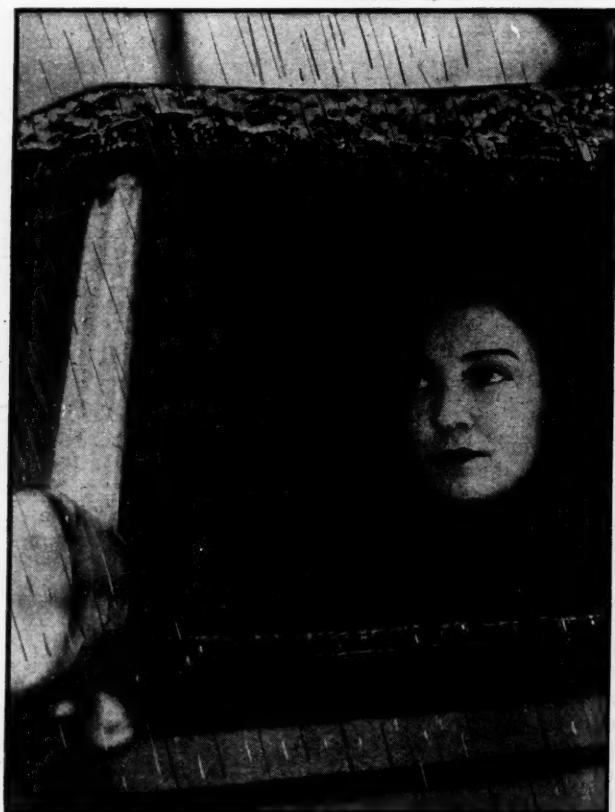
its whims and comforts, it shows the ingenuity to make itself less dependent upon the effects of weather than its grandfathers were.

My grandfather, for instance. It does not go back so many years, but he traveled around the midwestern states, buying and selling cattle, in an open buckboard. Come rain, come snow, come sleet, he was out in its discomforts, clucking to the horse, slapping its back with the reins, and wiping the snow or sleet out of his own eyes. That is, he put up with

all that unless he happened to be near the farmhouse of a famously good cook. There he would be found in the kitchen, praising the pies and puddings and taking unduly long to appraise the livestock until the weather moderated.

But old John's grandchildren—they are almost a bunch of softies. They will not go out in a light snowfall unless the automobile is fully enclosed and equipped with heater, defroster, and radio. They would no more put up with an old open buck-

Photographs by H. Armstrong Roberts



## COMFORT

*Grandad used to travel in the rain, accepting it philosophically as one of life's unavoids. His grandchildren demand a closed car, with heater, radio, and vacuum bottles.*



board than they would put up with a roaring fireplace with thick logs which toasted one's shins while the back of one's neck was nearly frost-bitten. No sirree!

Today's children insist upon circulated and uniform heat. They insulate their houses, put blowers in the cellar and regulating gadgets on the walls, wear lightweight underwear the year around, drink in winter time beverages which their parents looked upon as summer drinks, and use the vacuum bottle for iced drinks in summer and hot drinks in winter.

Except for shoveling snow, the seasons and weather now mean little to the life course of the average individual. Without deliberately planning it, he has shown that Mark Twain was wrong and that people are doing something about the weather. Of course, the people who have done most about it until recently, I regret to admit, are not the scientists. Some wise old sales manager thought he could get people to drink Coca-cola the year around; and they do now. Other wise men who had never been near a laboratory except to have a life insurance examination hit upon the idea that an enclosed and weatherproof automobile would give them a year-round market.

More recently the furnace man and the plumber discovered the now ob-

vious principle that a winter heating system can also keep the house cool in summer. Then another fellow, with perhaps more technical training, thought: Why not take care of the moisture content of the air, as well as merely temperature? Another, with still more technical training, added the useful thought of filtering, washing, purifying the air at the same time. So we got air-conditioning—first as a commercial novelty, a way to get customers into a theater or store by giving them comfort along with merchandise.

### The Power of Fire

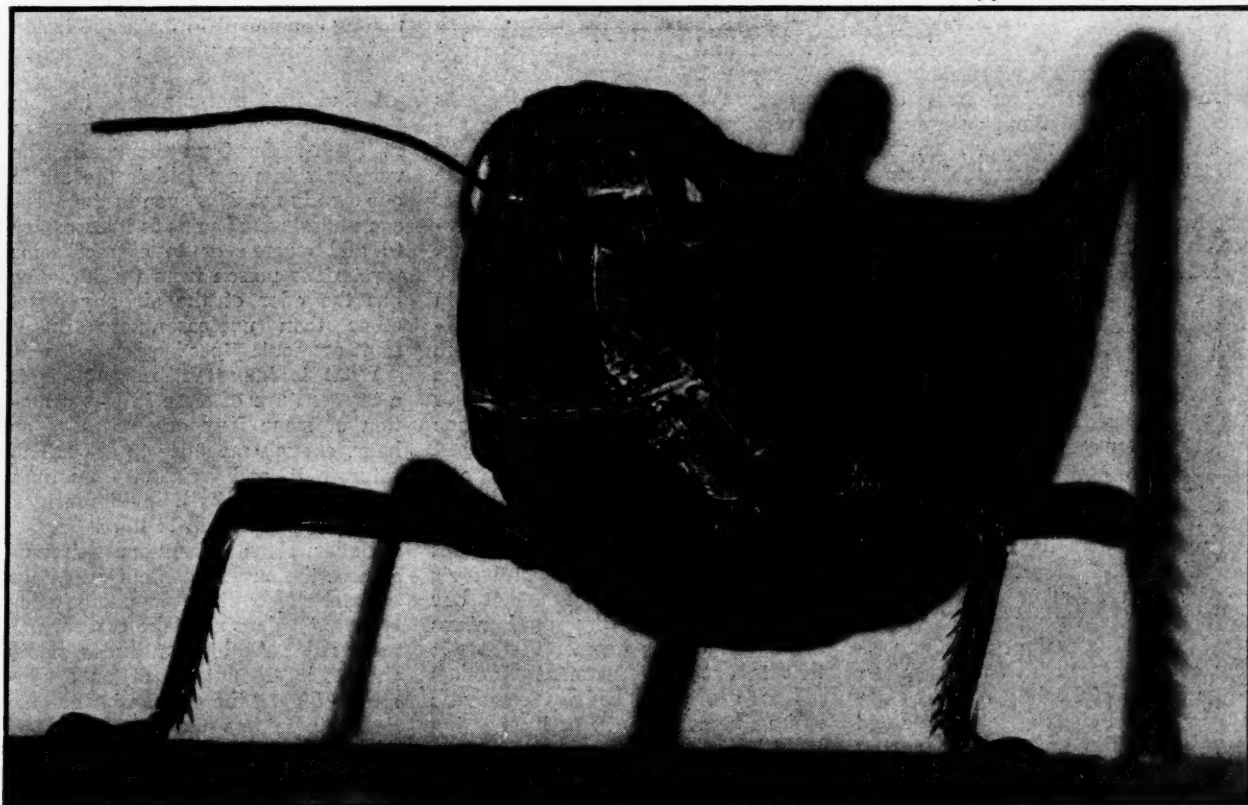
In this, the history of the race is repeating itself. Way back in Paleolithic times our prehuman ancestors were pretty restricted about where they lived. They had to stick to the plains, which had temperate climates. Clothing, such as it was, helped a little, but not enough. The first emancipation of these remote ancestors of ours came with the discovery of how fire could be used. Then early man could laugh right in the face of the vagaries of climate. He could wander, could explore, could live in places that had been uninhabitable, all because he had the new-found power of fire. Pause to think what it implies that man is the only animal that makes fires!

It was some 30,000 years, at least, before man began to make much use of the powers that fire and his other accumulating inventions could give him over his environment. He still got a dose of spring fever each year, following his usual winter siege with the common cold. He still got overheated in summer.

Scientists knew, of course. But the average man did not give much interest to such "odd facts" as clerical errors increasing by 60 per cent when the temperature rises to 90°F. Or, in general, that mankind is pretty sensitive to several varieties of weather changes and characteristics. Nor only mankind: the grasshopper is silent when the temperature is less than 62°, and the wonderful little Chinese cricket is even a better gauge of temperature. This cricket begins to chirp at 42°. When it is 55° he chirps once a second. At 68° it is twice a second. At 81° he has speeded up to three times a second. And when the temperature hits 94° he beats a steady tattoo of four chirps a second.

More about insects before we turn back to see in what ways man, too, is a creature of the weather. There is our household friend, the scurrying cockroach, whose learning and memory were studied by Dr. Walter S. Hunter at Clark University only three years ago. Dr. Hunter chilled his cockroaches in the ice-box, then

By J. M. Leonard, from R. I. Nesmith



### SILENT

The grasshopper may keep on hopping, but he loses his voice when the temperature drops below 62°. And the scuttling cockroach loses his memory after a brief sojourn in the ice-box.



## UNDISMAYED

*"Rain, rain, go away!" may not bring the desired results, but you learn to adapt yourself.*

let them recover from their ice-age period. His roaches were slower to learn and remembered less after this chilling, even though they were given a chance to recover from their glacial experience before their formal academic tests. Strangely enough, two hours in the ice box did not upset their intellectual powers as much as four hours on a cake of ice.

### Ask the Doctor

The birth rate of white rats also is profoundly influenced by artificial weather changes, according to experiments announced a year ago by Dr. C. Ogle. A warm, moist environment was found to lower the number of litters, to decrease the number in each litter, and to yield rather a weakling lot of offspring. "Most efficient sex functioning comes with a steady, cool environment," Dr. Ogle reported. "There the greatest number of matings result in conception, large litters of healthy offspring are born, and the onset of sexual life and fertility in the young come earlier than in the moist heat." Any country physician might have told as much in advance, especially when we recall the general practitioner's maxim about a cold winter giving him many

summer and fall babies to care for.

The physiological psychology which accounts for many of the influences of weather on man's own show are not understood. It is generally thought that they depend upon some application of Van't Hoff's law of chemical action, that chemical activity increases as the temperature rises. There is more than just temperature involved, however, as I point out in my book "Increasing Personal Efficiency". The amount of moisture in the air affects mankind. So does whether or not the air is moving or quiet. So does the direction of change in the temperature.

If we were cold-blooded animals we might not be concerned with all these climatic variables. But being animals which maintain a constant inside temperature through all sorts of weather, it is obvious that our temperature-regulating mechanisms are busier than a furnace thermostat that is out of adjustment. In cool places our own body thermostats make changes to keep us from losing body heat. In hot weather they shift the blood to the surface of the body—perhaps to cool it after the fashion of the automobile radiator—make us perspire to lose more heat in the drops of sweat.

So we can better appreciate the significance of the statement made recently by Dr. W. J. Peterson, of the University of Illinois, relative to weather changes and sudden death. "The outstanding weather change that affects us," said the professor of pathology, "is a rising barometer". Delving through sheets and charts of statistics he pointed out how in March in Chicago there are 100 unexpected deaths from heart attacks—in a month of sudden weather changes—and only 8 similar disasters in August.

### Shady Real Estate

People seem almost instinctively, albeit unintentionally, to protect themselves against adverse weather conditions, even when the thought of automatic air-conditioning was still in the womb of time. Stores on the east side of the street enjoy good business in the forenoon, while stores on the west side get the bulk of afternoon trade. Why? Simply because the woman shopper just naturally goes on the shady side of the street. It is as natural as turning up one's coat-collar in the teeth of a gale. Wise purchasers of business real estate, and the property departments of the chain stores, always consider this in selecting sites. And in 1934 the chain stores installed some two million dollars' worth of air-conditioning equipment to make the inside of their business places as attractive as the shady side of the street.

I find that many people imagine the trouble with air is "poisons" in it. Such is far from the truth. The worst air in the world is the air in our own lungs. Not even in the average underground mine is it necessary to add oxygen or to extract some mysterious poison from the air. Nor has the odor of the air any effect other than unpleasantness, unless some ammonia pipes happen to break.

What is important in our air is a temperature of close to 67°, a motion of some four or five miles an hour, enough moisture to about half saturate it, and freedom from dust, soot, and other irritating impurities. That is a simple bill to fill.

Under some exceptional circumstances the oxygen content does have certain effects. But air-conditioning equipment does not take care of this as a rule. At high altitudes, as in the Rocky Mountains or on stratosphere flights, the oxygen in the outdoor air is less than the sea-level concentration of 20 per cent oxygen. Transcontinental motorists have to adjust their carburetors for this reason. And the tourist finds that he "gets out of breath" sooner with a little exertion, just as he has to boil



his potatoes many minutes longer before they are cooked.

Temperature, motion, moisture—and a little change from day to day, or hour to hour—remain the things we need to be independent of the whims of outside weather.

The weather itself, of course, changes through the decades. Dr. C. A. Mills, professor of experimental medicine at the University of Cincinnati, has followed through the weather at St. Paul and Washington since 1855 and finds evidence that our "average" weather is gradually becoming milder. This may have some relation to the fact that our years are each 25 minutes short, so each succeeding year a new season starts, judged by the calendar, 25 minutes earlier than the corresponding season the year before. Figure this out on the back of a very large envelope, and you will find that in 10,000 years our seasons will be reversed, and we will press the heat button in July and the cooling button in January.

More interesting, and more significant, are the somewhat localized changes in weather. Take Palestine. Some four thousand years before the Children of Israel sought the Promised Land, it was mainly a dry, barren desert. Earlier than that it has been heavily wooded, and almost inundated with rains. Changes in weather conditions such as these have prompted the formation of a school of geographers, under the banner of Dr. Ellsworth Huntington of Yale University, who see in the changes the reason for the rise and fall of various peoples and countries. They have a convincing story to tell, but one which modern inventive progress has probably removed as a source of decline for the present and coming generations.

There is, of course, the related and highly practical matter of clothes to help us keep cool. But that is another story.

We can all think cool, if we cannot just yet enjoy the refreshing comfort of automatically tempered air wafted into our living rooms by day and into our bedrooms by night. But the air in our bedrooms, too, is another story. So for the time being, think cool, anyway.

Whenever you find it difficult to think cool, recall the Duke of Cambridge, famous not only for being a member of "the Marlborough House set", but for a picturesque fashion in which he made himself independent of the weather. This old commander-in-chief, both his friends and enemies averred, reviewed his troops mounted on his charger wearing a resplendent field marshal's uniform and sheltering himself from the rain by an enormous but dilapidated umbrella.

Photographs by H. Armstrong Roberts, and (at bottom) © by William LaVarre from Gendreau, N. Y.



## HYDRANT

*Summer heat plus a friendly fire department can turn city streets into summer resorts for many children.*



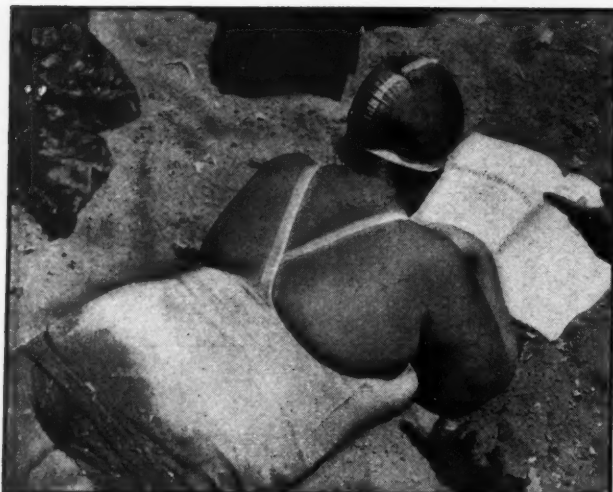
## PARASOL

*Jungle natives of Guiana, unaccustomed to the sun, admire Kaieteur Falls, five times higher than Niagara.*



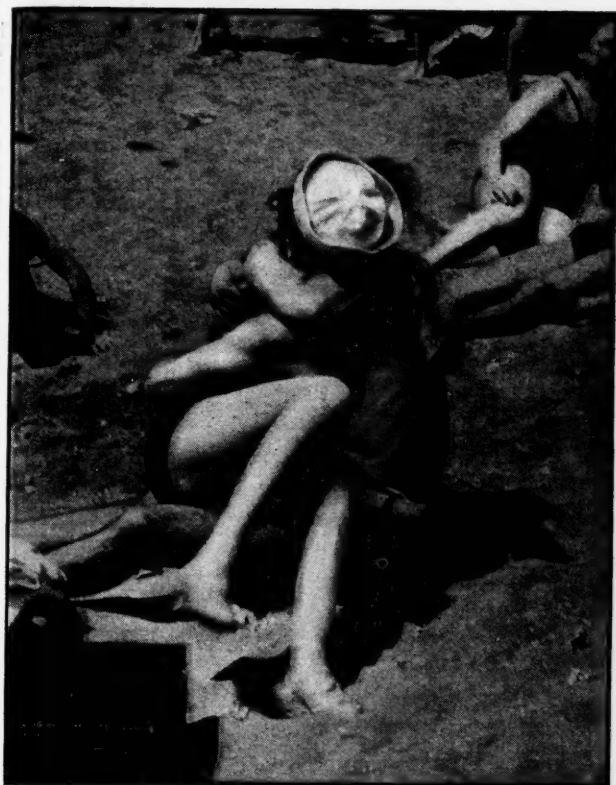
# BY THE BEAUTIFUL SEA

PHOTOGRAPHS BY R. H. HOFFMANN



## THE ABUNDANT LIFE

*Why worry about death and taxes when ocean breezes soothe the tired spirit? You don't have to be a bathing-beauty to feel at home on the sand.*



## SUN AND SALTWATER

*On the beach our inhibitions seem to vanish. Some of us may be larger and some may be smaller, nevertheless we are all sisters under the skin.*



## ARC WELDER

*'A steel age that produced ever-larger skyscrapers, bridges, tunnels, steamships, engines, and pipe lines, saw also a phenomenal development in welding—the making of rivetless joints. This welder's helmet protects him from the light as well as from sparks and heat.*

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# STEEL STARTS TO LOOK UP

BY HOWARD FLORANCE

Only two companies out of eleven large ones pay dividends to common shareholders in this third year of recovery, and the investment urge is elusive. But the industry's glorious past cannot be ignored.

STEEL IS traditionally prince or pauper. No industry rose to greater heights in 1929, none dropped to lower depths in 1932. But in this recovery era the outstanding note in steel is that the industry can fill the roles of both prince and pauper at one and the same time.

The reader will not ask for proof, and it is offered here only in support of the wise man who first asserted that truth is stranger than fiction. The United States Steel Corporation earned 162 million dollars for its common shareholders in 1929 and lost 96 million dollars in 1932. This is its fifth year of continuous deficits.

So rosy was prosperity that the company wiped out a huge bonded indebtedness in 1929 merely by allowing shareholders to buy more shares at a bargain price that now proves to be four times their market value. Investor A, in 1929, purchased a larger share in profits that have not materialized; but his purchase money was wisely used to pay off the mortgage held by Investor B.

That mere right to buy additional shares in 1929, at \$140 per share, was itself bought and sold for \$45, so that new shares actually had a market value of \$185 at the time of issuance. Three years later the same stock could be bought for less than \$22 per share, and the right to buy shares at that low price cost only a certain amount of courage.

## Recovery Certain

This glance backward to 1929 is a necessary part of any current investment appraisal of steel, for the industry as a whole and its leaders plainly possess the ability to pass salamander-like through the fire or else to rise phoenix-like from the ashes.

Thirty-five years ago the steel industry had never produced as much

as 10 million tons of ingots in any year. Its present capacity is 70 million. Then practically all of our steel was made in or near Pittsburgh, a site fixed many decades earlier when Pennsylvania supplied the necessary combination of iron ore and charcoal. Later the vast iron deposits of the Lake Superior region were opened up, but it seemed more reasonable to move the ore to the mills than to move the mills to the ore. So Pittsburgh still maintains its supremacy, and other centers like Youngstown and Wheeling are not far away.

But as the use of steel grew the producing area spread ever wider. Bethlehem Steel Corporation, second largest aggregation, was born of a shipbuilding company and even now is characterized by a preponderance of capacity at eastern tidewater points. "Big Steel" itself waved its magic wand some thirty years ago and created the steel city of Gary, on the Indiana shore of Lake Michigan, near Chicago. The industrial South likewise could not be denied, especially as the region around Birmingham is endowed by nature with both iron ore and coal. Finally, manufacturing cities like Detroit and Cleveland found it efficient to develop their own specialized steel centers.

Thus the steel industry is far-flung, though a circle drawn with a radius of 75 miles from Pittsburgh would still include more than a fourth of the country's steel capacity.

Ours was an iron country first, with iron rails for early steam trains. Later it was crucible steel, then Bessemer steel (which really inaugurated the Steel Age), and now open-hearth steel. The United States Steel Corporation last year produced six times as much tonnage of open-hearth ingots as Bessemer ingots. The chief characteristic of the open-hearth method is that the furnace is fed per-

haps 20 per cent of scrap iron and scrap steel, in place of all-pig-iron made direct from ore.

Before the era of consolidation, at about the turn of the century, a steel company made crude or semi-finished steel; and its products were sold to a steel-and-wire company, a tube company, a tin-plate company, a sheet-steel company, or a steel-hoop company. The United States Steel Corporation was formed in 1901 to throw a dozen such companies, including a railroad or two and some iron mines, into an integrated whole. Even today the corporation's plants bear original names, such as Carnegie Steel Company, Illinois Steel Company, American Steel & Wire Company, American Tin Plate Company, National Tube Company, and American Bridge Company.

Afterward came Bethlehem Steel Corporation, in 1904, which had a profitable war-time career and later absorbed the Lackawanna and Cambria steel companies. Other present-day leaders in the industry can trace individual units quite as far back, notably Republic Steel, Jones & Laughlin, Otis Steel, and Youngstown.

## Yesterday's Buyers

But it is the grass-root origins of the two largest companies which account for their present-day handicaps. A building industry that demanded close to 7 million tons of steel annually during 1926-29 took only 2½ million tons last year. A railroad industry that likewise demanded nearly 7 million tons during 1926-29 took only 2 million last year. In the item of rails alone, the railroads bought an average of 2,848,000 tons annually during four pre-depression years and only 975,000 tons in 1934 (which, indeed, was more than in 1932 and 1933 combined).

Steel mills designed especially to turn out that class of work plainly have suffered. But look for a moment at the other side of the picture.

"Black plate for tinning" goes almost entirely to container manufacturers. Its production in 1929 totaled 1,699,000 tons; in 1934, 1,650,000 tons. And even that small loss is chargeable to the drought, which reduced the amount of food for canning.

In similar fashion the automobile industry has become steel's best customer, though up to 1927 it had won third place only. Its pre-depression requirements average 5,875,000 tons during 1926-29. In 1934 it took 4,000,000 tons—almost as much as buildings and railroads combined. Steel for electric refrigerators and alloy steel also are becoming important factors in the new era.

### High Wage Ratio

Before we toll the bell for profits for those steel companies which had too large a percentage of their plants devoted to heavy shapes and plates, we do well to consider two factors: (1) the country will come back; (2) the companies have no thought of waiting and are adapting themselves to changed circumstances.

We hear no complaint from the common stockholder of U. S. Steel, who has gone without dividends for three years, when he is told by the management that average earnings per employee were 70 cents per hour

in 1934, compared with 59 cents in 1933. Average hours-per-week were 30.1 last year. The payroll increase last year was 47 million dollars.

And the same stockholder has now given his consent to the world's largest insurance policy, extending group insurance—paid in part by the corporation, and approaching 400 million dollars in face value—to all eligible employees.

The workers' share of each dollar of business of the U. S. Steel Corporation was 30 cents in 1904, 38 cents in 1914, 39.3 cents in 1929, and 50.3 cents in 1934. There are more than 12,300 employees on the pension-roll, receiving an average of \$55.50 per month.

All this without benefit of affiliation with the American Federation of Labor, without the compulsion of proposed New Deal social legislation, without the lash of 30-hour-week laws threatened by Congress.

Our steel industry as a whole produced 81,224 tons of steel ingots each day last year, compared with 176,368 tons daily in 1929 and 140,000 tons in the best war year. In 1925, 1926, 1928, and 1929 (but not 1927) a new record had been established each year. Steel was riding high when depression came.

The present article is one in a series which happens now to be completing a full year. These articles have sought to present the investment status of leading industries and of representative units within those in-

dustries. In every instance the accompanying statistical data have reflected six years or more, in approximately equal parts of prosperity, depression, and recovery.

There has been no thought of suggesting the purchase of common stocks, but if the reader happened to be investment-minded the articles were frankly designed to be of help to him. And it was by no mere coincidence that the series was held off until the moment was auspicious.

### Dividends Now Scarce

We select eleven steel companies for analysis this month, but we decline to "rate" them, one against the others. Our customary rating plan is based on the price which the investor is asked to pay, in the market, per dollar of dividends and per dollar of net earnings. Only three of the eleven steel companies had net earnings last year, and only two of them paid dividends; so the group cannot well be compared on that basis.

But the record does show the peak scaled by each company, the depth of its toboggan descent, and the extent of rebound. It does show that ten of our eleven companies fared better in 1934 than in 1933; and that all of them show improvement in the first quarter of 1935 over that quarter of 1934.

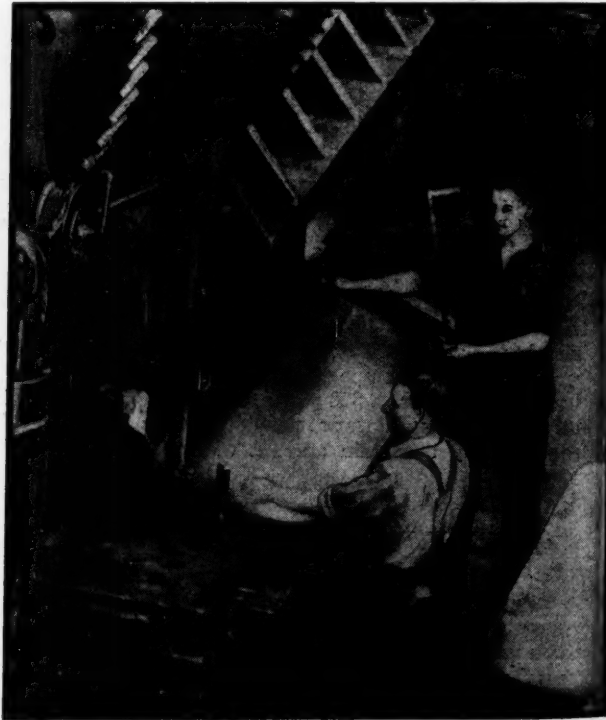
On the face of this statistical record the investor needs the long-range viewpoint to be interested in most of the steel companies at this time.

By Doherty, from R. I. Nesmith Associates



**RAILS** Steel bought by railroads, pre-depression, was 7,000,000 tons. Last year 2,000,000.

Margaret Bourke-White



**AUTOS** Steel's best customer is now the automobile industry, taking 4,000,000 tons last year.

Taking the six years—1929-34—as a whole, we find that United States Steel had an average profit each year of 8 cents per common share, that Bethlehem Steel had an average loss of 4 cents per common share.

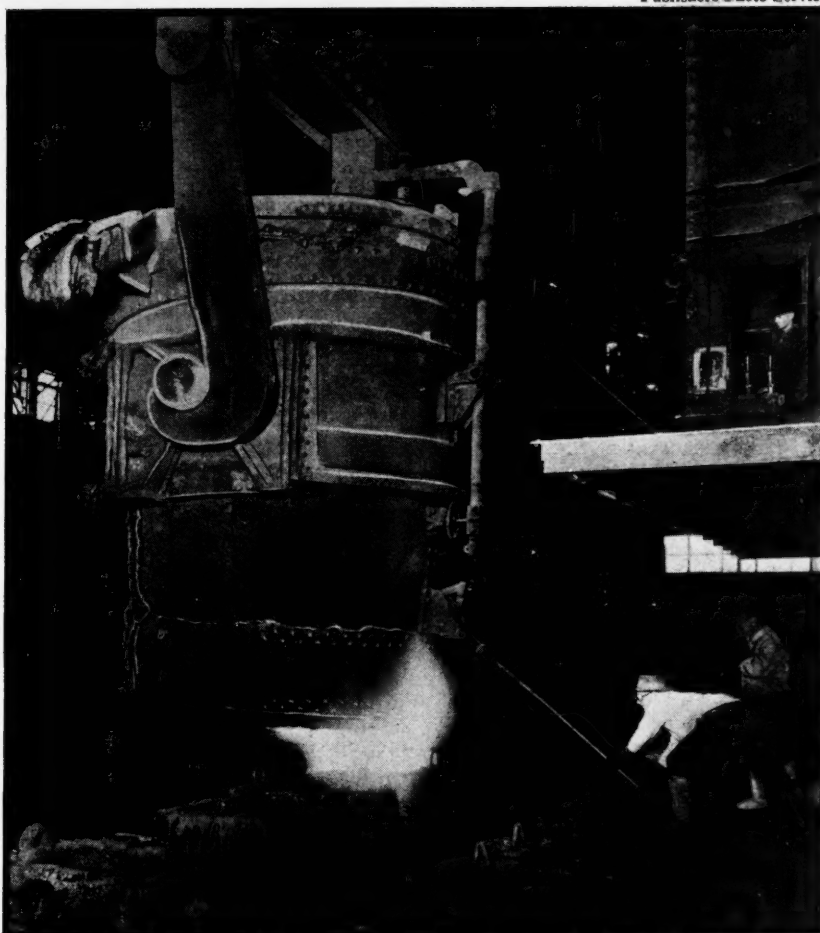
The only company with an unblemished earnings record is National Steel, which came into existence late in 1929 and has earned profits for common shareholders each year.

The best record, in average earnings per share for the six years, is that of Inland Steel—\$2.79, in spite of one year of deficit. Inland also furnishes the outstanding exhibition of current earnings, in the first quarter of 1935, amounting to \$2.05 per share.

Highest earnings per share in 1929 became the greatest deficit per share in 1932, a truly extraordinary performance which marks the record of Jones & Laughlin: earnings of \$29.04 in 1929 and deficit of \$20.86 only three years later. Prince or pauper.

### Wallowing in Red Ink

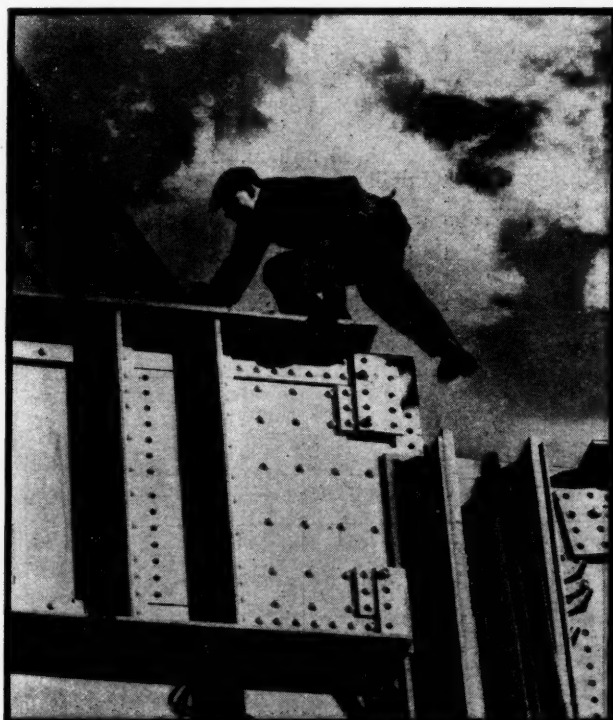
Three of our eleven companies failed to earn money for their common shareholders as early as 1930. Nine of them were in the red-ink group by 1931, ten by 1932. Two companies worked their way out in 1933. One of these slipped back in the following year; but its place was taken by another company, so that 1934 found eight of the eleven still operating without any profits at all for common shareholders.



### INGOTS

Pig iron, steel scrap, certain chemicals, and intense heat combine to make the molten steel here poured into moulds.

Photographs by H. Armstrong Roberts



### BUILDING

Demand for steel used in construction fell from 7,000,000 tons to 2,500,000.



### LABOR

An average wage of 70 cents per hour paid in 1934 compares with 59 cents paid in 1933.



## DIVIDENDS

(per share)

	Average 1929- 1934	1929	1930	1931	1932	1933	1934
American Rolling Mill	.75	2.00*	2.00*	.50	nil	nil	nil
Bethlehem Steel	2.42	3.50	6.00	4.50	.50	nil	nil
Gulf States Steel	1.17	4.00	3.00	nil	nil	nil	nil
Inland Steel	1.83	3.50	4.00	2.75	.25	nil	.50
Jones & Laughlin	2.42	8.00	5.00	1.50	nil	nil	nil
National Steel	1.32	—	2.00	2.00	.75	.88	1.00
Otis Steel	.52	.63	2.50	nil	nil	nil	nil
Republic Steel	.25	—	1.24	nil	nil	nil	nil
U. S. Steel	3.50	8.00	7.00	5.50	.50	nil	nil
Wheeling Steel	.92	2.00	3.50	nil	nil	nil	nil
Youngstown Sheet & Tube	1.92	3.75	5.00	2.75	nil	nil	nil
	17.02	35.38	41.24	19.50	2.00	.88	1.50

TWO OF THESE eleven steel companies—National and Republic—were born too late to have dividends in 1929. Therefore 1930 is the banner dividend year for the group, with every company distributing profits to common shareholders. Four dropped out in 1931, three others in 1932, three more in 1933; so that only one company has an untarnished depression record. In the first half of this year, 1935, the two companies which paid dividends last year have increased their payments.

\* American Rolling Mill also paid 5 per cent in stock, 1929 and 1930.

If the first quarter of 1935 could be accepted as representative of the full year—but unfortunately it cannot—three more companies would step out into the sunlight. This year started off with 49 per cent of capacity during the first quarter, averaged. This was reduced to 45 per cent in April and to 43½ per cent in May.

This steel industry, more than any other, is subject to extreme fluctuations from month to month, that are psychological rather than seasonal. Operations were at 40 per cent of capacity in the first quarter of 1934, for example; and at 54 per cent in the second quarter. A good year was in prospect. But a third-quarter slump brought the rate down to 24 per cent, and the final quarter recovered only to 29 per cent.

Thus the first half of 1934 averaged 47 per cent of capacity, the second half less than 27 per cent. Brain-trusters who seek to spread production uniformly over a year might well begin with the steel industry; but their base of operations last year should have been in the cheer-and-gloom dispensaries at Washington rather than in the steel mills of Pittsburgh.

Meanwhile the industry itself asks

for no favors, and bides its time until business in general recovers. You may persuade a man to buy a new car, or his wife to buy canned soup, either of which means business for a steel mill somewhere; but you cannot persuade a man to erect a few skyscrapers or bridges. You must sit around patiently until the builder himself has the urge to buy.

### Eleven Steel Companies

**American Rolling Mill Company.** Incorporated in 1899. Ingot capacity of 2,432,000 tons. Main plant at Middletown, Ohio. Specializes in sheet-steel products (under the trademark Armco) which go into automobiles, filing cabinets, refrigerators, refuse cans, washing machines, tanks, and a hundred similar articles in every-day use. Will seek its share of steel-housing and air-conditioning business. Recent acquisition, Sheffield Steel Corporation, 1930. Originator of a new process, now widely used by other steel companies under license, for continuous rolling of sheet steel from ingot to finished product. Profits returned in 1934. Sales, 70 million in 1929; 54 million in 1934. Assets, 108 million dollars.

**Bethlehem Steel Corporation.** Incorporated in 1904. Second largest company; ingot capacity 9,360,000 tons. Plants are on the seaboard, largely in Pennsylvania, Maryland, Delaware and New York, but including also Massachusetts, California, and Washington. Recent acquisition, McClintic-Marshall Construction Company, 1931. Last year of earnings for common shares, 1930. Operated at 34.9 per cent of rated capacity in 1934. Sales, 342 million in 1929; 168 million in 1934. Assets, 640 million dollars.

**Gulf States Steel Company.** Incorporated in 1913. Ingot capacity 300,000 tons. Finished steel shipments, 1934, 116,466 tons. Main plant, lately modernized, at Alabama City near Gadsden, Ala. Market largely confined to the South. Sales, 11 million in 1929; 7 million in 1934. Profit in 1933; deficit in 1934. Assets 28 million dollars.

**Inland Steel Company.** Main plant at Indiana Harbor, on Lake Michigan; and its widely diversified products are largely sold in the Chicago-Detroit area. Capacity 1,900,000 tons. Recent expansion added ultra-modern continuous-rolling mill and tin-plate plant. Operated at 53 per cent of capacity in 1934. Sales, 68 million in 1929; 40 million in 1934. Profits in 1933 and 1934. Assets, 101 million dollars.

**Jones & Laughlin Steel Corporation.** Dates back to 1850. Mills at Pittsburgh and Aliquippa, Pa. Makes wire nails to bridge girders. Ingot capacity, 3,660,000 tons. Production, 1934: ingots, 1,141,432 tons; steel products, 880,000 tons. No profits since 1930. Sales: 1929, not reported; 1934, 48 million. Assets, 182 million dollars.

**National Steel Corporation.** Formed in 1929 by merger of Weirton Steel Company, Great Lakes Steel Corporation, and various iron-ore shipping interests of M. A. Hanna Com-

## NET EARNINGS

(Available for each share of Common Stock)

HERE ARE heights and depths. Two of our eleven steel companies were prosperity-born, and not wholly in business in 1929. But the remaining nine earned an aggregate of \$114 per share of common, an impressive average of \$12.50 per share. Profits shrank to \$2.50 on the average for 1930, and disappeared for the four subsequent years. At the low point the average deficit exceeded \$8 per share.

1929	1930	1931	1932	1933	1934	
4.24	.03 def.	1.89 def.	1.59 def.	.46	.53	Amer. Rolling Mill
11.01	5.26 def.	2.12 def.	8.11 def.	4.38 def.	1.87	Bethlehem Steel
5.93	4.84 def.	5.89 def.	3.95	.27	1.01	Gulf States Steel
9.76	5.42	1.05 def.	2.77	.14	3.11	Inland Steel
29.04	8.65 def.	11.10 def.	20.86 def.	16.50 def.	13.56	Jones & Laughlin
3.41	3.91	2.06	.73	1.18	2.81	National Steel
19.97	.08 def.	2.82 def.	4.32 def.	2.75 def.	.29	Otis Steel
13.49	7.87 def.	6.41 def.	8.22 def.	3.96 def.	3.48	Republic Steel
17.28	.01 def.	14.52 def.	16.90 def.	7.54 def.	4.45	U. S. Steel
	5.17 def.	6.55 def.	12.40 def.	7.76 def.	2.68	Wheeling Steel
						Youngstown S & T
114.13	27.95	def. 51.81	def. 89.48	def. 49.01	def. 26.29	

First Quarter		Market Price June 1 1935
1934	1935	
.30	.78	18
def. .79	def. .70	25
def. .23	def. .02	16
.92	2.05	59
def. 5.12	def. 3.16	21
.76	1.56	45
.54	.89	5
def. .48	def. .46	12
def. 1.53	def. .97	31
def. 1.67	def. .98	17
def. 1.38	def. .68	15

pany. Plants at Weirton, West Virginia, and at Detroit. Ingot capacity 2,000,000 tons. Products largely adapted to automobile, refrigerator, and container demands. Only steel company in our list to earn dividends for common shares throughout depression. Assets, 156 million dollars.

**Otis Steel Company.** Traces its origin back 63 years. Plants at Cleveland, specializing in requirements of the automobile industry. Ingot capacity 675,000 tons. No earnings for common since 1930. Assets, 34 million dollars.

**Republic Steel Corporation.** A consolidation dating back to 1899. Third largest in the industry, capacity 4,800,000 tons of finished steel. Production in 1934: 2,000,000 tons of steel ingots and 1,426,000 tons of finished steel. Plants at Youngstown, Cleveland, and other Ohio cities; at Chicago, Pittsburgh, Buffalo, Birmingham and elsewhere. Enlarged by mergers in 1930, and is now acquiring Corrigan, McKinney Steel Company and Truscon Steel Company. Sales: 1929, not reported; 1934, 97 million dollars. Assets, 262 million dollars.

**United States Steel Corporation.** Incorporated in 1901. Largest combination in the industry, with ingot capacity of 27 million tons and finished-steel capacity of 19 million tons. Production in 1934: 6 million tons of finished steel, or 31 per cent of capacity. Sales, 980 million dollars in 1929; 391 million in 1934. No profits for common shareholders since 1930. Employed from 175,000 to 200,000 persons last year. Has 239,000 registered stockholders. Assets, 2,084 million dollars.

**Wheeling Steel Corporation.** A 1920 consolidation, with further mergers in 1930-31. Ingot capacity, 1,500,000 tons; ingot production in 1934, 876,822 tons. Plants along the Ohio River in West Virginia and Ohio. Sales: 1929, 85 million dollars; 1934, 49 million. No earnings for common since 1929. Assets, 107 million dollars.

**Youngstown Sheet & Tube Company.** Original incorporation 1900. Ingot capacity 3,100,000 tons; operated at 36.3 per cent of capacity in 1934. Plants at Youngstown, Ohio, and around Chicago. Specializes in steel pipe and tubing, largely for oil and natural gas industries, with recent expansion of equipment in the nature of diversification to produce sheets and strip economically. No earnings for common since 1930. Sales: 1929, not reported; 1934, 63 million dollars. Assets, 206 million dollars.



## CHIEFS

Charles M. Schwab, chairman Bethlehem (left), and W. A. Irwin, president U. S. Steel, pledge NRA wages and hours.

## BOOK VALUE

(per share)

	1930-34 Average	1931	1932	1933	1934
American Rolling Mill	34.95	36.22	34.52	33.44	32.85
Bethlehem Steel	130.28	137.46	128.41	123.36	120.38
Gulf States Steel	103.55	105.92	101.23	101.70	97.90
Inland Steel	49.60	53.98	48.88	42.03	45.93
Jones & Laughlin	211.58	231.37	210.39	192.62	176.02
National Steel	49.34	48.61	48.51	48.74	50.82
Otis Steel	9.63	14.49	7.23	4.59	4.43
Republic Steel	72.88	79.92	71.08	66.00	60.98
U. S. Steel	189.03	199.32	187.32	178.61	173.42
Wheeling Steel	91.36	93.87	79.94	73.13	74.87
Youngstown Sheet & Tube	92.44	101.52	89.77	80.50	77.68

BOOK VALUE, roughly speaking, is capital and surplus divided by the number of shares. It is sometimes stated as "equity per share". It is a figure available only once each year, computed from a corporation's balance sheet. Note its failure to vary much from year to year.

## GROSS SALES

(in millions of dollars)

	Average 1929-34	1929	1932	1934	1934 Sales % of 1929	1934 % gain over 1932
American Rolling Mill	47.9	70.4	27.3	54.5	77	100
Bethlehem Steel	195.7	342.5	98.5	167.7	49	70
Gulf States Steel	7.8	11.2	4.9	6.7	60	37
Inland Steel	39.2	68.6	15.2	40.4	59	166
Jones & Laughlin	46.3	—	—	48.0	—	—
National Steel	—	—	—	—	—	—
Otis Steel	—	—	—	—	—	—
Republic Steel	78.5	—	47.6	96.8	—	103
U. S. Steel	540.5	980.0	263.9	391.4	40	48
Wheeling Steel	53.5	84.7	31.0	48.9	58	58
Youngstown Sheet & Tube	79.3	161.0	31.8	63.1	39	98

WE DISCOVER here how the steel companies compare in the share of business which they capture, rather than in earnings or dividends. Two of the eleven do not report gross sales. Note that U. S. Steel did more business in 1934 than the four next largest companies whose gross sales are reported. Two percentage columns at the right show how great was depression in each case, and how great recovery.

# LEND ME YOUR EARS!

BY JACK KLEIN

In the laboratory, shop and office, new ideas are being born every minute—ideas which will launch new products or increase the sales of familiar ones. The consumer is the one who reaps the benefit.

## Radio Audience

Have you ever had a total stranger telephone you in the course of a day or evening, and ask you these questions: Are you listening to your radio? What program do you have tuned-in? How do you like it?

If you have had this experience, then you know that a commercial sponsor of a program being broadcast at that particular hour wants to know how many people are listening-in, how many are listening to some competitive broadcast, and why. That same check-up probably is being made in as many as 20 cities simultaneously by an especially trained group of researchers. After all, the advertiser wants to know what sort of circulation he is getting for the



time he is paying on the air; and he wants to know, too, the pulling power of his talent.

Once every so often this persistent questioner will ask you what type of radio you have, and how long you have had it, and what satisfaction it is affording you. Dependent on your answer, your name may or may not go down as a prospect for a new, certain-type radio. So that, should a radio salesman suddenly call, or should you receive literature of a new radio, don't wonder how the manufacturer or dealer got your name. You gave it to him yourself.

## Loss Leaders

When a retail store offers you a tube of toothpaste at 19 cents, the regular price of which is 23 cents, you

get the idea that the prices in that store are cheaper all around. And that the store selling at 23 cents is too expensive. At any rate that is the idea the "loss leader" is set-up to create in your mind.

A loss leader is a well-known, advertised brand of an every-day article sold (often at a loss to the store) at a price lower than you can buy it elsewhere. Retailers as a whole condemn it as unfair competition. They say the public pays the loss back to the store in some other way, possibly by paying too high a price for the store's own private brands.

They assail the practice as disastrous to the neighborhood store, which hasn't the power or the wealth to compete with the loss leaders and the price cutters. In the long run, say the opponents of the loss leader, the consumer is hurt.

The NRA codes banned the loss leader and put a limit on the loss any retailer can take in cutting prices. Now that the NRA is dead, loss leaders are back with us, in full strength, with greater vigor than ever before.

There may be a good, sound economic reason against loss leaders, and for stabilized prices. For, though NRA is gone, Fair Trade Laws are popping up in various states—originating first in California, then taken up by Oregon, Wisconsin, Washington, New Jersey and now New York. The objective of these is to stabilize prices of trade-marked products. By such laws manufacturers are permitted to enter into contracts with dealers and wholesalers, to sell their products at a minimum price. The difference between NRA and Fair Trade Laws is that the one was compulsory, and the other is permissive and voluntary.

Manufacturers are hesitant to take advantage of Fair Trade Laws until they see where they are headed, what

important retailers will do, and they await test of their enforceability.

A few manufacturers, principally E. R. Squibb and Sons, drugs and pharmaceuticals, and Dr. Miles Laboratories, makers of Alka-Seltzer, have gone ahead, have reorganized their plans of selling, and have entered into contracts with their wholesalers and dealers which aim to stabilize prices on all their products.

Ever since R. H. Macy & Co. won that historic triumph in the courts over the Victor Company, some decades back, on its right to sell Victor phonographs at a lower price, manufacturers have attempted to fix minimum prices for resale to the public. That fight will probably go on. But you, after all, are the final judge, the real supreme court. You will decide, by where you spend your money, whether you want price-fixing, or whether you want stores to price their merchandise in accordance with their own policies and ability.

## Wine and Women

Thinking up new ideas which will sell goods drives some men to drink, permits others to drive expensive



automobiles. Particularly difficult is the task of focussing public attention on a product through other means than advertising. The usual method is to establish some news tie-up and hope for the best. The Schenley Import Corporation has a different idea for the merchandising of its French Dubonnet wine. They are seeing to



it that a new shade, named Dubonnet because of its kinship in color with this wine, is getting attention by leading designers of women's hats, shoes, gloves and accessories. The design idea, of course, is backed up with advertising covering the good points of the wine, the Schenley people hoping that when a woman thinks of one, she will think of the other. Chances are, they're right.

## Selling Trains

Salesmanship has reached a fine, creative, professional distinction when it can sell railroad trains to railroad companies. And that is happening.

Railroad trains are classed as durable, or capital, goods. We hear from all sources that recovery in the durable-goods industries must come first, before there can be widespread, general industrial and business recovery.



True, railroads have modernized; have gone streamline; have adopted air conditioning and other conveniences; and are aggressively selling their services. Yet the strides that have been made are the result of railroad engineers creating within themselves the desire for such new, modern trains. They have made up their own designs, have then sent out specifications for estimate.

Now there has come forward one great train-building corporation, famous for half a century, which says that it will not wait for railroads to make up their minds to order new trains, will not wait for specifications to come to it, will not be content to merely be among those who estimate. Rather it has created designs of its own, has built a unit of its own, and—like any equipment, typewriter, or automobile salesman—is going out to sell the unit, as a unit, to railroads.

In other words, the era of specialty, creative selling has entered the durable-goods field, via one of the most hitherto impossible things to sell: a railroad train. Two orders have already been placed with this company, with many more in the offing.

## Going Upstairs

When we were just kids, didn't we love to ride up and down the escalators in the department stores! Escalators have long been in use to supplement elevator service in department stores, or where elevators were not practical, as from underground

subway or train levels to the street. Always a substantial part of the business of the Otis Elevator Company, escalators are now coming into new importance in the history of that company, particularly in the development of real estate values.

In the new International Building of Radio City, New York, are four new-style, safety-tread, chromium-finished escalators from the main floor to the basement floor, installed at a cost many times that of even elaborate stairways. Why the added expense of escalators, instead of the more conservative cost of stairways? Because escalators make for greater traffic to the basement, thus adding main-floor values and attractiveness for rentals to shops and other stores.

Owners of taxpayer or old-style office buildings which are not fully occupied, nor bringing in the rentals an important location may deserve, will be interested in the possibility of using escalators from the street to the first floor and even to the second floor to renew traffic into those buildings.

Department stores distribute traffic more easily throughout the store with escalators. Now there are new designs for department-store escalators, to add sales and merchandising values as well as for traffic utility. Along the entire false stairway of the escalators will be display cases, for the showing of merchandise sold within the store, simulating the value of store-front window displays.

## Barter Once Again

"You buy from me, and I'll buy from you" is still a powerful factor in many transactions. Salesmen have called in vain on purchasing agents who have orders only to buy from customers of the house. Reciprocity in buying and selling is rampant in domestic as well as foreign trade. In many instances our sales to foreign countries have fallen off because we have stopped buying from those particular countries, or have reduced the amount of our purchases.



Now comes Henry Ford with a reciprocity appeal to the farmer. Let other motor manufacturers talk beauty of design, utility, serviceability, and price. Henry Ford is counting on the farmer's bartering instinct.

"We buy from you", says the Ford Motor Company in effect, making no secret of the fact that it expects return purchases. "Ford cars are

painted with an enamel, the principal ingredient of which comes from the farm. Tremendous tonnages of corn, flax, cotton, and sugar-cane from vast acreages go into the making of our car. And your hogs, cattle, sheep, and goats furnish products for our manufacture. You are making money from our purchases, and we're making a fine car for you."

Chemists and scientists are finding more and more ways to use the products of the farmer in industry. Here may be the permanent solution of the farm problem of the future.

## Refrigerators

Concentrated shopping centers attract concentrated buying power. Similarly does massed, volume advertising of one industry create mass desire to buy the products of that industry. Companies whose sales are



at a low point can profitably take a leaf out of the book of refrigerator manufacturers who, today, are outshouting even automobiles for public attention.

When General Electric, Frigidaire, Westinghouse, Kelvinator, Norge, Fairbanks-Morse, Leonard, Electrolux, Sparton, Crosley, and Stewart-Warner speak up in page after page of advertising, home-owners must necessarily ask, "Why not a refrigerator?" In 1933 and 1934, automobiles were first in the demand list of the public. But refrigerators head the list, with motors second, at this stage of 1935.

Atwater Kent, radio manufacturers, are now making their first line of electric refrigerators. Electrolux, the only gas refrigerator, has long made a kerosene refrigerator, one of which was sent to the Dionne quintuplets. Now comes Crosley with its *Icyball* unit, which requires neither oil nor gas nor electricity. Two metal balls, filled with refrigerants, are joined together by a metal bar. The "cold" ball is put into the cabinet, while the "hot" ball is placed over a stove and allowed to cook for an hour and a half. This hot ball sends the refrigerant into the cold ball; then, as the refrigerant in the cold ball evaporates, sending it back into the hot ball, the refrigeration takes place.

What about the ice man and the ice manufacturer? Apparently, record sales are being made in the ice refrigerator field, despite the fact that its most potent peril, mechanical re-

(Continued on page 68)



## WHEAT

*The Canadian western provinces are vast seas of grain, stretching as far as the eye can reach. Here is a wide vista from the Peace River, in faraway Alberta. Canada is the leading wheat exporter.*



## OVEN

*Here is an outdoor baking oven in the old French province of Quebec, the original Canada still peopled by Catholic descendants of hardy Norman stock. Our Madame is typical of the region.*

# CANADA CATCHES NEW DEAL FEVER

BY ROGER SHAW

His Majesty's dominion has taken a leaf from the American book. Here is an account of what it is trying to do, backed up by rich natural resources and a plucky early history of struggle.

OUR UNITED STATES is not the only land in the New World vitally concerned with Noble Experiments. To the north of us there are up-stirring things afoot, guided by an interesting personality, vital to current Canadian policies. He is the leader of the Conservatives, Premier R. B. Bennett, who is something of an authoritarian New Dealer. Almost a personal dictator in planning for Our Lady of the Snows, he is religious, honest, and exceedingly courageous as he tackles concrete problems. Descended from exiled American Tories who settled in New Brunswick, he is an ardent imperialist and king-lover. He practised law in western Calgary with eminent success, then came to the capital city of Ottawa as a member of parliament. Bennett is a fluent speaker, and a strict party disciplinarian, as recalcitrant Conservatives have found to their sorrow now and again.

The Hon. Richard Bedford Bennett, age 65, has been attending the royal jubilee in London, along with other loyal dominion premiers. His health, of late, has been very poor, and it is said that Harley Street specialists have advised his retirement from active political life. This is a serious threat to the Conservatives, with a general election coming in September. Should Bennett leave public office, who would his successor be? His party comrades are worried about such a contingency, and H. H. Stevens, Arthur Meighen, E. N. Rhodes, R. J. Manion, and W. A. Gordon are mentioned for the Conservative premiership. Time will tell.

Like many old-fashioned aristocrats, Bennett dislikes money-mad profiteers, and has genuine sympathy for the Canadian masses. This helps to explain some of the measures which he sponsors for Canuckland. He is reserved but has a wide ac-

quaintance, is well liked, and is the brother-in-law of W. D. Herridge, Canadian minister at Washington. Herridge, it seems, has been a close student of our own American New Deal, and has helped convince Bennett of its applicability to Canada.

The Canadian Conservatives took office in the middle of 1930, inspired by Hooverlike *laissez-faire* ideals. There followed gradual conversion to a more collective philosophy, and with the year 1935 came the Canadian New Deal. The premier made five radio addresses last January which started things rolling, although a Canadian general election was coming. Bennett, the Conservative, began to advocate a program strangely similar to that of the Coöperative Commonwealth Federation, organ of the left.

Roughly speaking, Bennett favors a combination imitation of our Federal Trade Commission and NRA. He wants the 8-hour day, minimum wage, elimination of sweatshops and child labor. He is opposed to anti-trust legislation, such as the former Sherman law in the United States, and advocates "British" unemployment insurance, but with a relatively smaller contribution by the state, and the omission of some strictly seasonal industries. Health and accident insurance, and contributory old-age annuities, are up the Bennett alley; and he believes that fair-trade practices should be carefully defined in his Canada.

The American AAA would be paralleled by a Canadian National Products Marketing Act. By this, a majority of producers in any community can vote all the producers into a compulsory marketing scheme—to cover selling and grading regulations, and also actual price-fixing. The drought areas of the Great American Desert are to be attacked by modern scientific means. There will



Hon. R. B. Bennett, high-minded father of the Canadian New Deal.



be a new machinery for distribution, and 90 million dollars of government credit has been made available for cheap farm loans. Add to this a modest schedule of public works, far more modest than the American, and a semi-inflationary money plan with easy credit. There will be an economic advisory council—a Canadian brain-trust—to ponder, and to investigate the national whole.

New taxation, including higher income surtaxes, will redistribute the Canadian mazuma; and there will be a differential scale on earned and unearned income. The trade angle will be handled by reciprocal treaties of commerce abroad, and the American market is sought for cattle, fish, dairy products, lumber, and other Canadian exports. Bennett, the high-tariff Conservative, is even prepared to make duty cuts on manufactured goods to hearten American industrialists, who seek Canadian markets for their wares.

The opposition parties of Canada are in general sympathy with Bennett's ideas, although they disagree on details. There may be changes in the constitution, lessening provincial rights materially, to aid the new centralization. Incidentally, the state-owned Canadian National Railway is losing money, there is a great Canadian wheat surplus, and the budgetary situation is beginning to resemble that in Yankee Washington. The Ottawa agreements of 1932, economic arrangements between England and her dominions made at an imperial conference, aided the Canadian exporters of bacon, lumber, and agrarian products in their trade with the British empire.

Canada has departed from the gold standard, but her banking system has withstood the depression remarkably well, to the admiration of many American economists. It is planned to strengthen company laws, so as to hamper stock-watering and the issuance of fake prospectuses which trap unwary ones.

Canada, like ancient Gaul, is divided into three parts. The east is French, the center is British, and the west is American in racial makeup. His Majesty's most loyal dominion is a sizeable chunk of the British empire, for its three and one-half million square miles exceed the area of the United States by a seventh. Its 10 million inhabitants vary enormously—from Toronto patricians more anglophile than the English, to Russian Doukhobors who hate war, shaving, and wearing clothes. In Montreal, Quebec, and the eastern rural areas are "seventeenth-century" French—the true Canadians—who have little interest in far-flung Britannia, and even less in the agnostic republic of France.

Canada became British in 1763, following French defeat in the Seven Years War. Wolfe beat Montcalm on the plains at Quebec when the Highlanders charged the whitecoats, and up went the union-jack to stay. French Canadians refused to join Americans in the revolutionary war of 1775, largely because their priests feared the anti-Catholic utterances of New England's Puritan pastors. At that time England persecuted her Catholics at home, but pampered those in French Canada.

### Tory Exiles

The American revolution, however, played a decisive part in Canadian history in one respect. Large numbers of Yankee Tories were exiled, especially from New York, Connecticut, and the Carolinas. Their very extensive estates were confiscated by the victorious patriots. They had to go somewhere, and the British government settled these diehards in the wilderness of Upper Canada, which is now called the province of Ontario. There they founded the city of York, which turned into Toronto.

In 1867 came the British North America Act, which is the Canadian constitution. This united scattered provinces into a federal government on American lines, with one important difference. In the United States all powers not expressly delegated to the federal government belong to the several states; in Canada all powers not expressly delegated to the several provinces belong to the federal government. In both countries there has been an eternal squabble as to how far the government can proceed at the expense of its constituent units. By the Statute of Westminster, passed in 1931, Canada, along with the other British dominions, became virtually independent and entirely free of London legislation.

Canada is composed of nine self-governing provinces, and the Yukon and Northwest territories. Ontario has three and one-half million population; Quebec has nearly three million; and Nova Scotia, New Brunswick, Manitoba, Saskatchewan, Alberta, and British Columbia have half to three-quarters of a million each. Prince Edward Island, the baby province, has less than 100,000.

Canada uses the British parliamentary system of government, through a Senate and House of Commons, with a premier, and a governor-general representing the king of England. There are two historic parties, patterned on those in London, the Conservatives and the Liberals. The Conservatives favor high tariffs, imperial coöperation in the fullest sense, and state intervention in industrial

matters when this is necessary to safeguard labor from exploitation. They stand for the federal government, as against the provinces. The Liberals are a low-tariff group, very friendly to the United States, not so friendly to England, and tend to favor provincial rights. They are a little more inclined to economic *laissez-faire* than the Conservatives, and receive much electoral support from the French sections. Loyalist Toronto is generally Conservative, while "Norman" Quebec tends to be Liberal. The Liberal leader is Ex-Premier Mackenzie King.

Western Canada, where American farmers abound along with Scandinavians and Slavs, is much more radical politically. Here thrives the Coöperative Commonwealth Federation, which has socialistic farmer-labor tendencies, organized in 1932. It favors nationalizing the banks, a minimum wage, maximum hours, social insurance, and public works on a large scale. It also favors Canadian neutrality, no matter what wars England may get herself into. The year 1914 taught impulsive Canadians a salutary lesson, but an expensive one in men and money. The Coöperatives are constantly gaining in strength, for they are a real left party under J. S. Woodsworth.

### Toil and Moil

Canada has a varied national economy. Out of 300 million acres of arable land, only 59 million were under field crops as late as 1933. Agriculture supports some 3 million of the dominion population, especially in the western provinces. With America, Russia, India, and France, the Canadians are the leading wheat producers of the world—270 million bushels for 1933. Virtually the entire wheat crop comes from Manitoba, Saskatchewan, and Alberta. There are also oats and barley. Dairy products include butter, cheese, milk, and cream; and meat, lumber, and furs rank as profitable topnotch exports. On the Canadian coastline fisheries keep many old salts employed in catching salmon, cod, trout, and whitefish.

There are rich mines, which turn out silver, copper, nickel, lead, zinc, iron ore, and particularly gold. Ontario produces more than two-thirds of the precious yellow metal, with Quebec and British Columbia as very weak seconds. Nearly 3 million ounces were dug out in 1933, and more than that in 1932. Gold production from 1867 to 1933 totalled close to 1,000 million dollars. Coal is mined extensively, with Nova Scotia and Alberta as headliners in this mineral category. Approximately 12 million

tons were collected in 1933.

Canadian railways, including the state-owned Canadian National and the private-owned Canadian Pacific, total 57,000 miles of tracks, from coast to coast. They are a 3½ billion dollar investment, and are noted for their excellence of service and operation. Only 16,000 miles of track are under private management, and the state is gradually adding to its gains in the control of transportation. Tourists, many of them railway-users, spent 117 million dollars in Canada in 1933, visiting the scenic Rockies, the seven chief national parks, Quebec with its winter sports, or the north woods with their famous hunting and fishing.

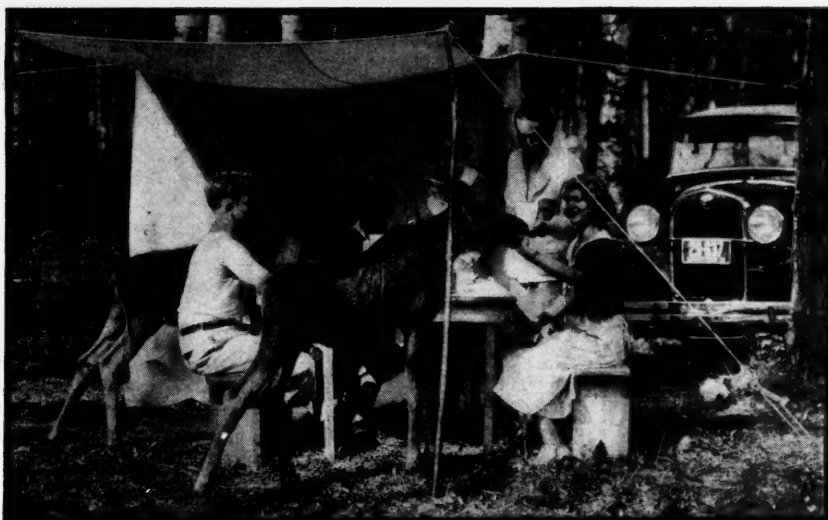
### Trade with America

Canada takes more than 15 per cent of all American exports, serving as the Yankees' leading market. The United States is Canada's second best customer, taking 30 per cent of the total Canadian exports. England is Canada's best importer. Canadian foreign trade for 1933-34 was better than a billion dollars.

The Bank of Canada was established in 1934, by act of parliament, and as a central agency began operations in 1935. Canadian banks have branches in the United States, England, France, Spain, the West Indies, and the leading countries of Hispanic America. There are ten chartered banks, with nearly 4,000 branches scattered over the countryside. Their assets are close to 3 billion dollars.

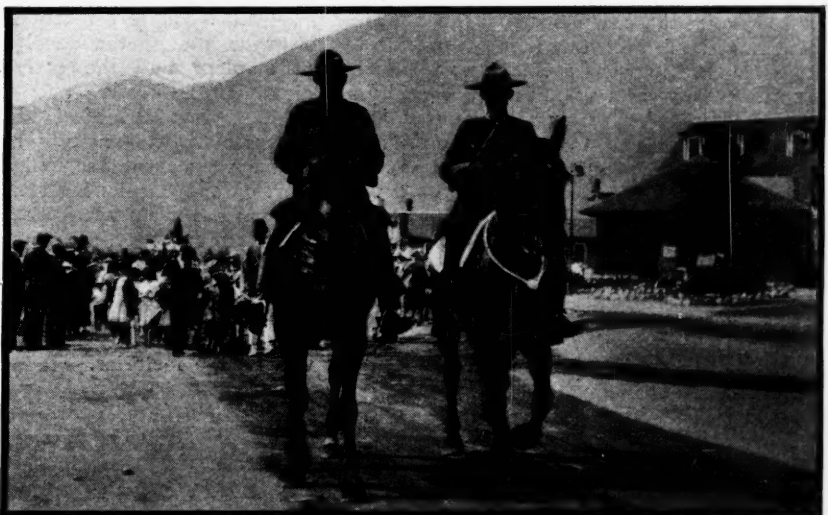
Canada is by far the most important of His Majesty's dominions, which also include Australia, New Zealand, South Africa, and Southern Rhodesia, and would like to include the stoutly republican Irish Free State. (India, with her 360 million natives, is gradually approaching dominionhood, en route to national independence *a la Gandhi*.) But Canada is important not only to England. She is neighbor-to-the-north for some 125 million of Americans, eager for friendship and business and North American coöperation. There have been no hostilities along the coast-to-coast frontier line since 1815.

The Canadian New Deal, in its humanitarian aims, is a sincere tribute to the American New Deal. Nineteenth-century *laissez-faire* methods, in economic administration, have been attacked as out-of-date above the Great Lakes, as well as below. The Tory Bennett looks forward, as well as back to 1776. Whither, Our Lady of the Snows? In 1935, still under the Britannic aegis, she is preparing to tackle her domestic problems by a strategy nicely balanced between pragmatism and utopia. Yankees wish her well.



### MOOSE

*Canada caters to enthusiastic tourists from the United States. Here is a party of them with little new-found friends.*



### COPPERS

*The famous red-coated royal mounted police always get their man. Here are two of the "lobsters" out prowling.*



### CATCH!

*Waterways of Canada furnish fishermen with great sport. This rodman has just crashed through and is proud of it.*



# NO WAR FOR EUROPE?

BY WILHELM STEFAN

Here is a telling opinion by a well-known German journalist who believes, satirically, that more armaments mean more peace. In exile, he is connected with the "Europäische Hefte" of Prague.

THERE will be no war. The assurance with which this conviction is expressed is not to be explained on the obvious ground that the man who expresses it felt a year ago that war was threatening at any minute and denounced it. War presupposes determination and will to life on the part of both disputants. To have discovered these qualities a year ago even outside the Third Reich would not have made one a self-deceived dreamer. But, since the German threat existed at that time and since it seemed fair to assume that Germany's neighbors possessed sufficient will to life not to capitulate, the war seemed to be advancing at accelerating speed. The conclusion was just. The premises false. The threat has increased, but Europe's stubborn determination has vanished. There will be no war.

Furthermore, both as a conception and a reality war seems to be a creation of the nineteenth century and has not survived the twentieth. Wars used to be undertaken in the hope that the victor would gain the spoils, in the hope of exaggerated speculation, in the hope of profits that might bear some relation to the investment involved. But it is completely senseless to take a chance on a basis that destroys the chance itself.

Because experience has endorsed the Marxist conception of war as the most advanced form of struggle for raw materials and markets, war in the twentieth century seems to have outlived its day, precisely as a result of the development of technology. It has become utterly senseless for the industry of any imperialist state to fight for raw materials and markets by methods that may lead to the destruction of one's own industrial plant. Things were quite different until the epoch of air warfare arrived. In the old days, masses of men

stood between the hungry industrial centers and the opposing powers.

They provided adequate protection for the factories, though the development of artillery and the early forms of air attack did involve a certain risk to the industrial hinterland, but until recently it was merely a risk and not a very great one. The development of the airplane as a military weapon has made what used to be a risk into a certainty, so much so that in a future war the factories will correspond to what used to be known as front-line service. The most exposed area in the twentieth century will be the factories.

No, there will be no war. There will be no war, but that does not mean that there will be no aggression and no territorial changes. On the contrary, everything indicates a continuing fluctuation of frontiers unprecedented in history. The strategic theory of the twentieth century might be simplified to the effect that possession is nine points of the law. Though war may disappear, loot will remain. Indeed, now that no war will be waged, the whole world has become a universal object of loot without any ruler and lies easy prey to any attack.

## Nothing Ever Happens

If we had been farsighted ten years ago, we should have understood that, in the light of everything that had happened, nothing would happen. The whole world that sanctioned Poland's theft of the Lithuanian capital of Vilna and D'Annunzio's raid of Fiume, early this year saw history repeat itself on the Chinese Eastern Railway. For ten years everyone prophesied that this railway would be the chief bone of contention in the "unavoidable" next world war. But the Japanese got it for almost nothing

simply because they wanted it and because there is to be no war.

Pacifism is a thing of the past. Every square foot of ground belongs to whoever seizes it. Does Germany want Memel? This request is emphatically refused. What if Germany takes Memel? There will be no war. Shall the whole continent thereupon fall asunder? Rights of occupation are proclaimed over this or any other piece of territory consisting of a few thousand square kilometers. We should not be deceived by the lucrative armament orders that all countries are placing. This century is pacifistic to the point of paranoia. No one can say whether Paris will become a German provincial city—and, if so, when—but I am convinced that, even if it did, no war would break out.

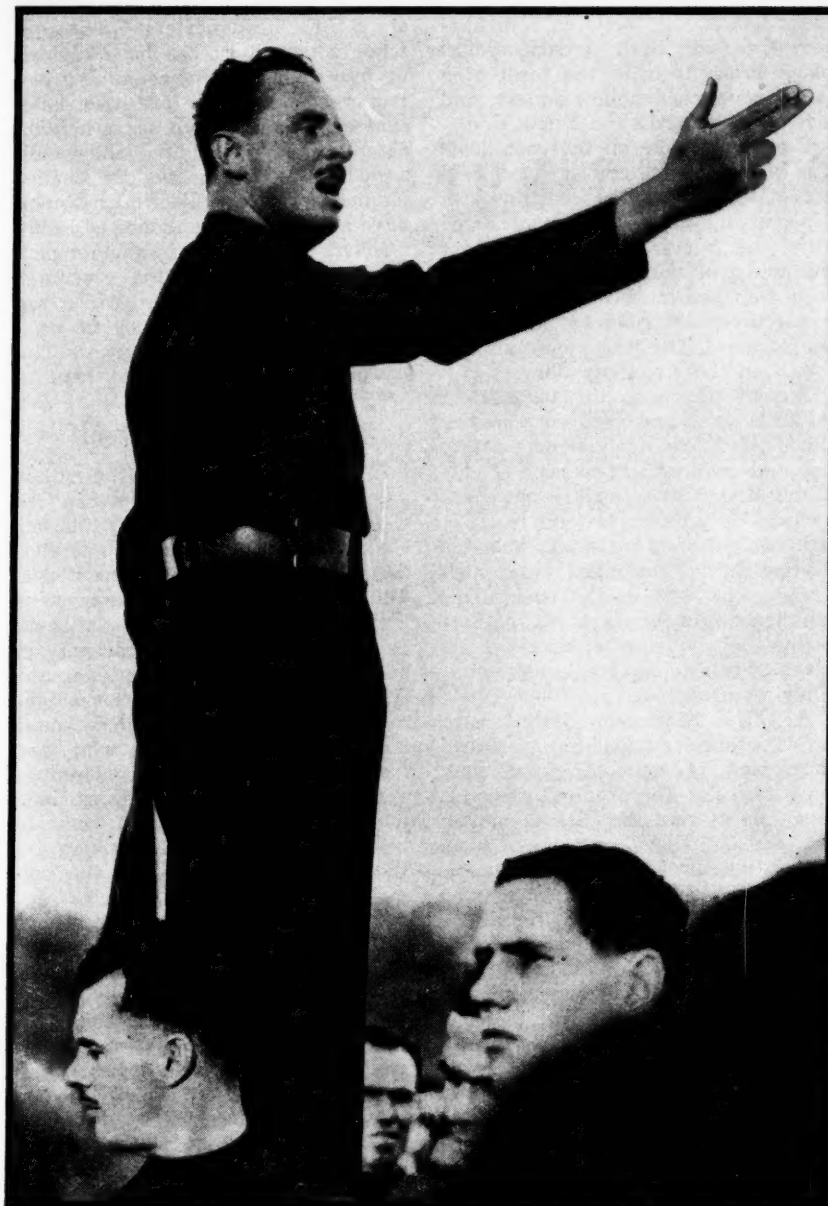
## Loud-Mouthed Peace

Because armaments have become so hopelessly destructive, men with loud mouths will conquer nations during this century, although many people may have imagined that an era of eternal armistice would be different and more like paradise.

Why, then, are armaments continuing at a greater rate than ever? Because only by preparing the most destructive instruments of war can peace be maintained. If there were no poison gas and no bombing planes, then a nation that was about to raise its voice would have to fall back only on the weapons it had during the last war to back up its words. In order that war machinery should not be used any more, it must be developed to the maximum efficiency. It must possess the most complete powers of destruction and be available for use in unforeseeable surprise attacks. Moreover, armament goes forward for

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**MOSLEY** Here is the blackshirted Sir Oswald giving out a spirited ballyhoo to a crowd of his fascist followers in England.

## UNDER THE BLACK FLAG

BY CALDWELL PATTON

A million and a half of Britain's young men, recruited largely from the great middle class, look to militant fascism as their only road to economic salvation. Hence Mosley.

**M**OSLEY! Mosley! Mosley! Long live the king! The speaker of the evening has just finished, and half a dozen blackshirt youths leap upon the stage to whip the audience of two thousand into a Mosley yell. So far the evening has passed without casualty, but trouble is due to start.

We are at Croydon, in the outskirts of London, and Oswald Mosley's blackshirts are campaigning for members. Blackshirt girls are distributing pamphlets. Posters, planted everywhere, proclaim that "Fascism Stands for King and Empire"—"Fascism Is Practical Patriotism." Upon the rostrum the Union Jack is crossed with a giant black flag, banner of British fascism.

Suddenly hell breaks loose. Communists in the rear are hurling epithets at Mosley. Someone damns the king. Another curses England. Blackshirt ushers leap from all about the hall. They fling themselves upon the reds in cold, efficient fury. There is no love game here. They've fought with reds before. Fists crunch on jaws; heads crack upon the floor. Blood flows freely. A woman screams.

But now the Marxists are surrounded. Ten or fifteen in number, they are lifted bodily on a wave of hands, hustled to the door and flung bodily into the street. The blackshirts continue their cheer. "Mosley! Mosley! Mosley! Long live the king!"

It may come as a shock to those who think neither communism nor fascism exists in conservatively liberal England that there is not only fascism, but three distinct fascist organizations, each jealous of the others but all of which hate the reds with a vengeance and conduct with them an almost unceasing guerilla warfare. In a measure the growth of fascism in Britain is a gauge of the strength of communism, as the former is, in most respects, an antidote for the latter.

On a little door in Curzon street one reads the impressive legend: Imperial British Fascist League. Ironically, at the time the author viewed it, the communist sickle and hammer had been scrawled across it, while underneath a sign informed me that headquarters had been changed to a few numbers down the street. This league is the smallest, but the most extreme, of any of the separate British fascist groups. Geographically, its political position may be described as about ten feet beyond the right end of British politics. It was this group which astounded the sleepy burghers of London town one fine morning by flying their party's banner from the flag post of City Hall. Doubtless many Londoners hurrying to work feared fleetingly

that a Hitler *putsch* had taken place somehow during the night, and well they might, for the Imperial British Fascist League flaunts the swastika, and their emblem is the Union Jack with a solid white circle superimposed upon the junction of the crosses, with the anti-semitic hooked-cross carried in black within the circle.

### These Anti-Semites

At the new address I had the luck to meet the leader, an ex-army officer forty years of age, well set up and vigorous. This gentleman is so anti-semitic that he trusts only his life-long friends in confidences concerning his organization. He informed me he had no desire for numbers and preferred having fifty men he was sure of to five thousand he couldn't count on. He's got his wish, for there are certainly not more than five hundred young men in his organization. His second-in-command is a dynamic, brilliant, highly keyed-up young man who firmly believes that leaders of the entire Jewish race are plotting the political domination of the non-Jewish world through the propaganda machinery of the Soviet government, the Third International, and the Kremlin-controlled communist parties of the respective countries. He publishes a weekly party-organ and keeps in touch with sympathetic movements as far removed as Canada, Australia, Brazil, the United States, Rumania, and France. I was surprised to find there a paper, printed by a French group in Paris, extremely patriotic yet equally anti-semitic, which described Hitler as the "saviour of Europe".

The second largest but oldest fascist group in Britain calls itself British Fascists, Ltd. Originally founded by a patriotic woman, the group amalgamated with certain youth societies and its membership climbed to four hundred thousand. Since Mosley's blackshirts started, however, it has been on the wane. The group is, nevertheless, still quite active, wears a brown uniform consisting of visored hat, shirt, trousers, and leggings, and sends speakers three nights a week to harangue the public.

This brings us to the last but largest and most rapidly increasing group of British fascism, the British Union of Fascists of Sir Oswald Mosley, informally known as Mosley's blackshirts. The blackshirt movement is efficiently organized, has many brilliant younger men among its leading officers, and claims a membership of a million and a half.

Their headquarters are a stone's throw from the Duke of York's headquarters, in a building that was formerly a large school and which now

looks like a cross between a monastery and fort. Built of dark, almost black brick, it is in the form of a large three-sided hollow square, and a fence runs across the fourth side.

From a flagpole on the roof floats the blackshirt banner, a solid field of black, bearing diagonally a flash of gold lightning and perpendicularly the *fascies*, ancient symbol of the unity of the state. The reader who may see in this some ominous connection with Rome is leaping to conclusions. The *fascies* may also be found on the American dime.

But to return to the blackshirts. At both street and yard entrances of the B. U. F., sentinels stand on duty day and night. An impression of efficiency and activity strikes one right away. The uniform is solid black of light weight wool material. There is a close-fitting, buttonless tunic, high like a polo shirt at the neck. This fits beneath a broad black patent-leather belt with nickel buckle. Long black trousers complete the ensemble. They wear no hats.

At B.U.F. headquarters are housed all essentials for launching a political movement of national proportions, plus facilities for feeding, sleeping, and transporting the picked men of the group. There is a press room where the blackshirt party-organ is published. Among the other main departments are included the photographic, publicity, commissariat, intelligence, counter-espionage, propaganda, defense, membership, and transport. The latter, under the control of a certain Mr. Symes, World War aviator, is a most interesting branch of the corps, consisting of ten large motor-lorries or closed-in buck-boards, similar to our station-wagons but longer and wider.

Their purpose is to rush defense squads from point to point for the protection of outdoor rallies and meeting halls from attack by communist "shock-troops". These are not armored-cars, as has been rumored by opponents. The author made a minute inspection of them, and found no metal on them except that necessary to all automobiles.

### Reds Are Tough

The physical danger of communist assault is no laughing matter. British communist weapons run in the main to socks filled with broken glass, lead pipe, ice picks, brass knuckles, and curry combs. A week before my visit a young recruit from Edinburgh, who had just been transferred, had his eye put out in a melee with the reds. I was also shown pictures of one of their blackshirt girls who had suffered a broken arm.

Four hundred men eat and sleep

at B.U.F. headquarters. The old school's dormitory has been divided up into small sections containing two bunks each. There are two large canteens, one for both sexes holding about a hundred and fifty tables, with a small bar, and one slightly smaller for men only. The blackshirt women have a five-story clubhouse as headquarters of their own in another part of London. Above the sleeping-quarters is a gymnasium, which reminds me that Mosley may be considering a private air-corps, as he has an aviation test-machine there.

### Sir Oswald Himself

In the interviews which the author succeeded in securing from Sir Oswald, the impressions are as follows: He is fairly tall, slim, an orator, and about thirty-eight years of age. The wiry, nervous type, he is more like Hitler than Mussolini, though, curiously enough, he received an audience with the latter, but was unsuccessful in doing so with the former. His hair is black, the forehead high but slightly sloping, while the features are ascetic, the nose aquiline, and the eyes piercing. There is a faint suggestion of Hebraic cast to his face which might account for the watchful Imperial Fascists' suspicions that he plans to betray his party. A slightly semitic cast of feature, however, is frequently discernible on the faces of British aristocratic families. The name of Mosley is well known to British heraldry, as well as to British political history, and among Sir Oswald's own paternal ancestors is a Mosley who was lord mayor of London.

Charges are hurled at Mosley's movement from the right as well as the left, from before and behind. It reminds one of "The Light Brigade". The Conservatives consider him an unprincipled adventurer, and fear his abolition of class distinction. The patriotic societies dislike his leniency to certain theories of socialism. What's left of the official Liberal party is opposed to his conception of fascist regimentation, while the rival fascist groups are jealous of his success, and honestly fear that it may be a semitic or communist trick to draw off the enthusiasm of patriotic British youth.

The British Labor party feels that he has betrayed them; while the communists, still smarting with surprise at the meteoric rise of German National-Socialism and fearing another Hitler, accept Mosley as arch foe.

But still his legions grow. He boasts eight chapter headquarters in London alone, and is reported to be recruiting by the hundreds in the vicinity of Edinburgh. From where

(Continued on page 73)

# A TEN BILLION DOLLAR ROBBERY

BY CLARENCE J. McLEOD

CONGRESSMAN FROM MICHIGAN

Because systems of local government have stood still while the country moved forward, the American public is needlessly paying out ten billion dollars every year. Can anything be done?

BECAUSE our systems of local government have stood still while the country moved forward, the American public is needlessly paying out ten billion dollars every year. This is the staggering sum required to maintain our obsolete and unnecessary units of local government and the vast army of chair-warming officials on their payrolls.

In the early days of our nation each little community was a self-supporting entity. It had to be, for Commerce was in its infancy and good roads existed only in dreams of the future. Communication facilities were slow and unreliable.

Such living conditions, of course, no longer exist. The growth of population and the increasing application of scientific discoveries and inventions in the improvement of living standards have caused and brought about a complete change.

The system which provided a complete set of public officials for every minute community worked admirably in the days before changing conditions knitted towns, villages, counties, and even states in bonds of close interdependence.

It worked so well, in fact, that as the country grew and as the population increased, the system doubled and redoubled itself. Unfortunately, as expansion and growth in government took place, no effort was made to eliminate offices and functions as they became unnecessary.

## A Costly Luxury

As a result of this process of continually adding but never discarding, the American people today are burdened with the cost of more than 182,000 units of local government, each possessing the self-perpetuating power of levying and collecting taxes.

A survey by the Bureau of the

Census lists the following subsidiary units of our 48 state governments: 3,062 counties; 16,659 cities, towns, villages, and boroughs; 128,548 school districts; 19,769 townships; 14,573 minor civil divisions of government in the several states.

To maintain these taxing units and the vast horde of public officials on their payrolls, the people are paying approximately ten billion dollars annually, or more than \$300 for each family.

Accurate figures for comparative purposes are not available prior to the year 1880. In that year we find from statistics compiled by the Census Bureau that general property taxes of state governments and their local subsidiaries totaled \$94,187,000. Such taxes have now jumped to more than \$5,000,000,000.

During the period 1880 to 1932, the debts of local branches of our Government increased from \$1,123,279,000 to \$17,576,839,000. At the same time the population increased from 50,262,382 to approximately 124,000,000. This means that during the time our population increased about two and a half times, local government debt increased more than 15 times, and taxes have been multiplied to the point where they are more than 53 times the amount paid in 1880.

Some of this astounding rise in the cost of government is, of course, due to the increase in population. The increase, however, is so entirely out of proportion to the growth in population that it is quite apparent that a major portion of the blame must be laid to failure to adjust the machinery of local government to cope efficiently and economically with the conditions of a new age.

We must remember that although in the younger days of our country 8 out of every 10 made their living by tilling the soil, today only 2 out



By C. P. Cushing, from R. I. Nesmith

*There may be a Sherlock Holmes or two among the sheriffs and deputies of the nation's 3,062 counties but the upkeep outweighs their value.*



of every 8 are engaged in agricultural pursuits. A steady and continuous trend toward centralization of population has completely eliminated, in many sections of the country, the need for countless offices which were once essential.

Distance, a formidable obstacle to commerce in colonial days, has become a factor of negligible consequence. The development of transportation and communication facilities has brought about the transformation of independent, self-supporting villages, towns, cities, and even states into closely connected interdependent units.

It has become a common and everyday practice to depend upon distant parts of the country for much of our daily supply of fruits, vegetables, and other commodities.

In spite of all this, the mechanism of local government has resisted adjustment and is still trying to function as it did many decades ago.

A case has been reported where the staff and employees of a local poorhouse outnumbered the inmates. Expensive road-repairing and road-building machinery has been owned by each of a number of adjacent counties in a state and used but a few days in the year, when one set of machinery for the combined counties could have been used to far better advantage and at a considerable saving to the taxpayers.

### Too Many Officials

As a further example of how the various states are cluttered with cumbersome and expensive machinery of government, I will mention that in my State of Michigan (which I represent in the House) there are 95 townships with less than a hundred voters in each. In each individual township, however, there are four justices of the peace, 4 constables, a clerk, a treasurer, a road commissioner, and very frequently, a highway overseer.

There are 5 counties in the State of Michigan, maintaining a total of 286 public officials, which have 2,000 less inhabitants than just 1 township which is served by only 4 officials, aside from justices of the peace.

Conditions are no worse in this state than in many others, but since 1912, the gross debt of minor civil divisions of the state government has increased 1,264 per cent. The debt of the state government for the same period increased 755 per cent. In 1912, the combined gross debt of Michigan and all local subdivisions of the state, less sinking-fund assets set aside to meet such debt, averaged \$20.43 per capita. In 1932 it had jumped to \$157.66 per capita.

A half century ago 65 per cent of the population in Michigan was rural. Today approximately three-fourths of the citizens of the state live in urban areas. This change has not been accompanied by a corresponding adjustment and revision of the structure of local government. The result is that the taxpayers of this particular state I am citing as an example are forced to contribute unnecessarily at least \$25,000,000 yearly for the upkeep of the 83 counties, 472 cities and villages, the 7,069 school districts, and the 1,268 townships, all of which possess the power to levy taxes or incur debts.

There is one government unit in the United States which does not have a horde of parasitic offices, and useless officeholders to waste the taxpayers' money. That is the District of Columbia, which has but one unit of government for a population of almost half a million citizens. It is one of the best governed areas in the United States. No taxes are levied for the support of the usual machinery of counties, towns, townships, school districts, or other units of local taxing bodies. By contrast with its single unit of government, Michigan has 1 unit for every 544 citizens, Nevada 1 for every 230, and New York 1 for every 1,200.

Under our Constitution the Federal Government cannot intervene directly in the matter of abolishing and eliminating the useless and anachronistic offices and functions of local government which are dissipating and wasting the taxpayers' money. Any action to bring about this vital economy must be taken by the states themselves.

Some states have already made good progress toward the abolition of obsolete offices, and have pruned many of the dead twigs from their branches. It is self-evident, however, that the maximum efficiency and economy possible can only be obtained by a concerted, unified, and nation-wide program.

The question is: Who could start such a program? It is equally beyond the jurisdiction of any single state government or the United States Congress. Every four years the people of every state join in electing a Chief Executive to guard their interests and well-being. As such a representative, the President is the logical and only official who can properly take the initiative in calling on the various states to weed out and eliminate the useless impedimenta.

To pave the way for such a program, and officially to request the President to initiate such a program, I have introduced a resolution in the House of Representatives urging the President to hold a conference

with the Governors of the 48 states for the purpose of "formulating and urging the adoption of a unified, nation-wide program among the states to reduce excessive costs of state governments and their local subsidiaries by reorganization of local governmental systems and elimination of all obsolete and unnecessary offices and functions."

I am optimistic and hopeful that such action will meet with the enthusiastic and whole-hearted support of the President as he has repeatedly shown a thorough recognition of the great need for overhauling and revising the structure of the country's local taxing units.

### Will Roosevelt Help?

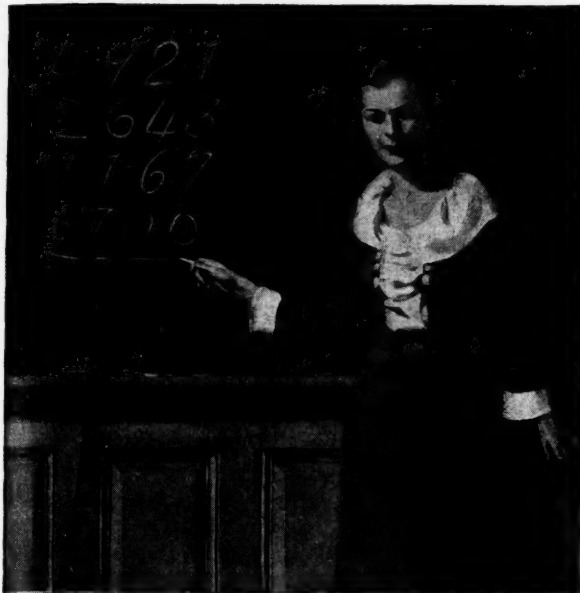
During the last Presidential campaign, the President specifically pledged himself to work for this essential saving to the taxpayers:

"In many states we must, through the legislature, and even through constitutional changes, reorganize our local government for the purpose of eliminating unnecessary machinery and unnecessary positions, and for the purpose of consolidating functions and concentrating responsibility in few hands. . . . The President has . . . the right, and even the duty, of taking a moral leadership in this national task. . . . I shall use this position of high responsibility to discuss up and down the country, in all seasons, at all times, the duty of reducing taxes, of increasing the efficiency of government, of cutting out the underbrush around our governmental structure, of getting the most public service for every dollar paid by taxation. This I pledge you, and nothing I have said in the campaign transcends in importance this covenant with the taxpayers of this country."

This "underbrush" mentioned by the President is exacting an unnecessary sum every year which amounts to fully \$60 for each family in the United States. It is exhausting and depleting our tax sources and endangering vital civic activities and functions, such as public education, fire, health, and policy protection.

The sooner action is taken, the sooner the benefits of such a program will be felt. If the President will call a conference of governors now, and I sincerely hope he will do so in the very near future, he will be taking a step which will do more than any other single action could possibly accomplish, for a White House conference of the governors could do more in a few days to formulate a unified and comprehensive program for abolition of waste and extravagance than the people, without such leadership, could attain in a full generation.

# Test Eyesight Regularly



*The Blackboard Problem—as it looks to Jim and as it looks to Bill*

**B**ILL failed in arithmetic. He couldn't add blurry figures that wouldn't stand still. Poor vision is a tough handicap to a child in school. At least one in every ten has some form of defective eyesight.

## A Special Warning

*Contrary to a widespread idea that the Fourth of July has been made "safe and sane," the National Society for the Prevention of Blindness states that the toll of accidents from fireworks was greater last year than in many previous years.*

prevent many eye troubles. Have your eyes examined regularly, even though they seem to be normal. Never wear glasses which have not been prescribed. Don't read with the light shining into

Many of these uncorrected defects are progressive and cause increasing eye-strain and impairment of vision. Eye-strain may lead to severe recurring headaches, nervous exhaustion, hysteria, insomnia, dizziness and other disorders.

In older people there are other conditions of the eyes which are far more serious than imperfect vision. If untreated, they may eventually lead to blindness. Glaucoma and cataract can be present and in the first stages give little indication of their threat to your sight. Recognized early, glaucoma may be successfully treated; a cataract may be removed by an operation.

Good reading habits of young and old



your eyes, or without your doctor's consent when recovering from serious illness, or when lying down—unless your head and shoulders are propped up and the page is held at right angles to your eyes below the line of vision. Hold your work or book about 14 inches from your eyes.

Don't use public towels or rub your eyes. Conjunctivitis and other communicable diseases may follow. Do not use any medication for diseases of the eyes unless it has been prescribed for the purpose.

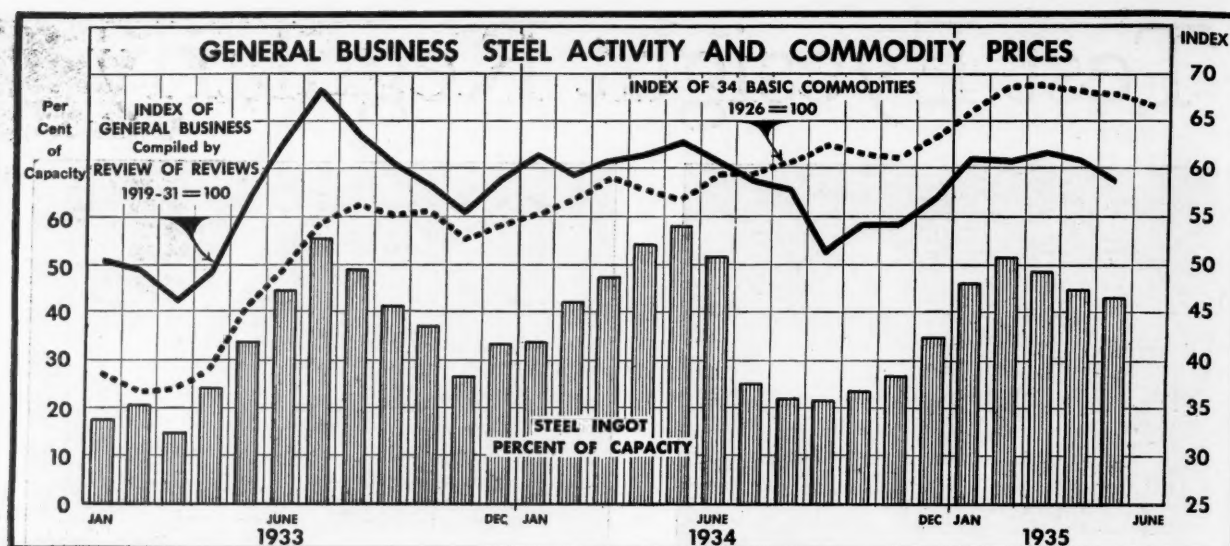
Make sure that no member of your family is endangering his sight. You are cordially invited to send for the Metropolitan's free booklet "Care of the Eyes." Address Booklet Department 735-V.

## METROPOLITAN LIFE INSURANCE COMPANY

FREDERICK H. ECKER, PRESIDENT

ONE MADISON AVE., NEW YORK, N. Y.

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## BAROMETERS

Steel production by itself may be a fair index of general business activity. Note the way the upright bars, representing ingot production, follow the pulse-line of business.

# THE PULSE OF BUSINESS

We enter the second half of 1935, and seek to judge it in advance by signs that mark the half-year just ended. A conclusion is that we are in the doldrums, midway between depression and recovery

ANOTHER half-year has slipped by, to make political and economic history for a future generation to study. For us it is a fitting moment to pause and take account of stock—to judge the immediate future, perhaps, in the light of the recent past.

Our own monthly index of general business is lower, for the second month. March proved to be 61.9 per cent of 1919-1931 normal. April slid off to 60.6 per cent. And now we have the figure for May at 58.8 per cent of normal. The data are printed in detail on page 66.

At this time a year ago, and especially two years ago, the index was rising. New Dealers may not like it, but our index shows the level of general business to be hardly better than it was in F.D.R.'s second month.

The reason is not hard to find. Our index has three main divisions—finance, distribution, and production. The distribution group, compared with two years ago, has moved upward from 66.2 per cent of normal to 69 per cent. The production group has made even greater strides, from 52.9 per cent of normal to 63 per cent.

But the group registering financial

activity has received the full force of New Deal punishment. It is almost as if the Administration has believed that the country can get along better without such things as stock and bond sales (except, of course, Government bonds) and new security issues. Our index of financial activity has dropped in these past two years from 56.7 per cent of normal to 29.4 per cent.

STEEL activity is discussed elsewhere in this issue. Sufficient to say here that for the first five months of 1935 production averaged 47 per cent of capacity, which was exactly the same rate maintained during the first half of 1934. The industry hopes—and expects—to avoid the slump experienced during last year's second half, when operations averaged less than 27 per cent of capacity. The three largest steel makers, as well as some others, are still "in the red".

AUTOMOBILE makers have been the steel industry's best customers this year. Theirs is indeed a notable record. It will be remembered that 1934 saw the production of 2,300,000 passenger cars (compared with 1,186,-

000 in 1932). This year the industry proclaims its intention to do even better, and is off to a good start.

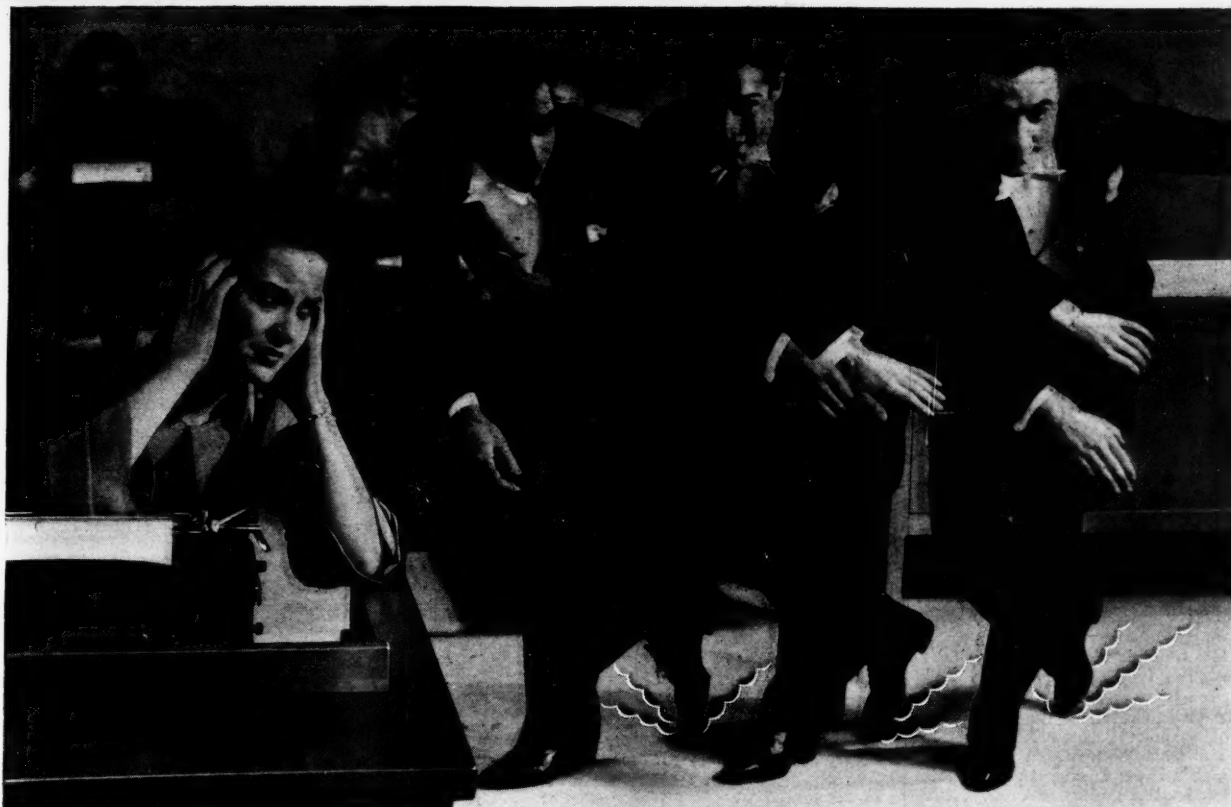
We use the registration records of new cars, compiled by R. L. Polk & Co. and the "Automotive Daily News". Four months this year, to the end of April, found 888,000 new cars registered, compared with 552,000 in the same months of last year. It is a 60 per cent increase.

Our data are not tainted with manufacturers' optimism in forcing production; they reflect the actual purchase of new cars. We pause only to mention that Fords furnished 311,728 of the four months' total (about 3 out of 8). This was approximately as many as Chevrolets and Plymouths combined.

General Motors Corporation sales to consumers to the end of May totaled 511,053 cars, compared with 382,125 in the same period of last year.

Oldsmobile, incidentally, this year outdistances Pontiac and Buick (according to registration figures), to become No. 2 car in the General Motors' group. Packard, with a new model in the lower-priced range, found new registrations in four months that





## Quit that tapping . . . WE CAN'T WORK !

TAP dancers may be fine for the theater where they belong. But in an office? What a fool idea!

Yet day after day you put up with a clatter that is just as distracting. The incessant rattle of ordinary (platen pounding) typewriters, banging on nerves, costing business thousands of dollars every day!

Pity the executive under this withering fire. More to be pitied is the girl who sits at a noisy heavy machine all day! No wonder she costs the firm money in "time out", errors and lost energy. Even though

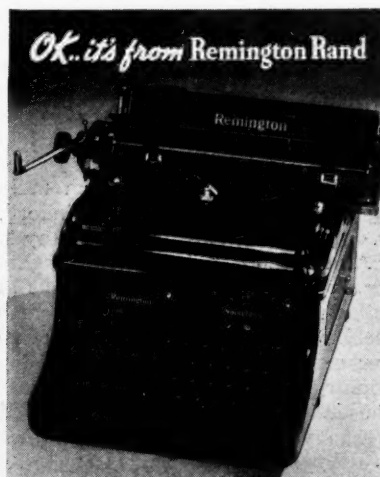
you may *think* typewriter noise isn't distracting, *make this free test.*

Replace a section of ordinary (platen pounding) machines in your stenographic department for ten days with new Remington Noiseless typewriters. Make a careful day-to-day check. Note cleaner originals, sharper copies, excellent stencils, the let-up in operator fatigue . . . the increased speed that gives as high as 19% greater efficiency.

The Remington Noiseless operates on an entirely different principle. Its patented

pressure-printing, with extra short type-bar movement, is barely audible at twenty feet, while even the most improved so-called "quiet" machine is distracting at that distance. There are twenty-three other exclusive mechanical and design features.

Make a revealing 10-day test at our expense. Check the improvement carefully each day. Phone the nearest Remington Rand office, or write Remington Rand Inc., Buffalo, N. Y.



IT ACTUALLY COSTS LESS TO USE A  
Remington Noiseless

### TYPEWRITING SHORTCUTS *every girl should know*



1. *Easy way to make copies.* New method of manifold with Remico Carbon Selector saves time, keeps fingers clean, increases life of duplicating paper 30% to 40%.



2. *Sit comfortably with the Remington Line-a-time.* Places copy directly at eye-level, eliminates tiresome stretching to read notes, cuts down errors. Collapsible.



3. *Send for "20 Typewriting Shortcuts".* Shows new way of making copies with Remico Carbons . . . 19 other time-savers. Remington Rand Inc., Buffalo, N. Y.

# GENERAL BUSINESS INDICES

## FINANCIAL

Bond Sales—N. Y. Stock Exchange..	\$285,400,000	103
Stock Sales—N. Y. Stock Exchange (number of shares).....	30,438,000	31
New Corporate Security Issues.....	\$45,200,000	7
Money Rates.....	.53%	11
Bank Debits—New York City.....	\$14,551,000,000	43
Rate of Circulation of Bank Deposits in New York City.....	1.87	37
Index of FINANCIAL ACTIVITY.....	29.4	

## DISTRIBUTION

Magazine Adv. (Agate Lines).....	2,900,000	72
Newspaper Adv. (Lines).....	115,854,000	70
Foreign Trade.....	Not available	
Merchandise Carloadings (Weekly Average).....	381,000	65
Department Store Sales (Federal Re- serve Index).....	76	77
Bank Debits Outside New York City	\$15,655,000,000	58
Rate of Circulation of Bank Deposits Outside New York City.....	1.36	75
Index of DISTRIBUTION.....	69.0	

## PRODUCTION

Steel Ingot Production (Capacity)...	43.53%	56
Pig Iron Production (Average Daily Tons).....	55,713	60
Domestic Cotton Consumption (Run- ning Bales).....	448,000	89
Total U. S. Construction Contracts..	\$124,000,000	30
Electric Power Production (Kw. Hours Aver. Daily).....	266,000,000	77
U. S. Automobile Production.....	**425,000	94
Commodity Carloadings (Average Weekly).....	197,000	58
Crude Oil Production (Barrels).....	80,290,000	102
Bituminous Coal Production (Tons)...	29,727,000	82
Portland Cement Production (Capacity).....	Not available	
Boot and Shoe Production (Pairs)...	Not available	
Index of PRODUCTION.....	63.0	

## INDEX OF GENERAL BUSINESS

	May, 1935	April, 1935	March, 1935	May, 1934	May, 1933
	Index	Index	Index	Index	Index
Bond Sales—N. Y. Stock Exchange..	\$285,400,000 103	\$267,500,000 81	\$319,700,000 99	\$284,700,000 103	\$374,200,000 135
Stock Sales—N. Y. Stock Exchange (number of shares).....	30,438,000 31	22,408,000 23	15,849,000 16	25,336,000 25	104,210,000 104
New Corporate Security Issues.....	\$45,200,000 7	\$22,000,000 4	\$7,900,000 1	\$28,823,000 4	\$3,580,000 1
Money Rates.....	.53% 11	.82% 18	.94% 20	.96% 21	1.15% 25
Bank Debits—New York City.....	\$14,551,000,000 43	\$15,905,000,000 48	\$15,895,000,000 45	\$14,653,000,000 48	\$13,977,000,000 53
Rate of Circulation of Bank Deposits in New York City.....	1.87 37	2.06 41	2.06 38	2.21 44	2.24 44
Index of FINANCIAL ACTIVITY.....	29.4	29.8	27.8	32.3	56.7
Magazine Adv. (Agate Lines).....	2,900,000 72	2,932,000 72	2,482,000 69	2,770,000 69	1,921,000 48
Newspaper Adv. (Lines).....	115,854,000 70	112,803,000 70	110,067,000 69	112,122,000 68	94,649,000 58
Foreign Trade.....	Not available	\$335,000,000 59	\$362,000,000 62	\$316,000,000 63	\$218,800,000 48
Merchandise Carloadings (Weekly Average).....	381,000 65	401,000 69	392,000 70	407,000 70	366,000 63
Department Store Sales (Federal Re- serve Index).....	76 77	*73 *73	82 83	77 81	68 79
Bank Debits Outside New York City	\$15,655,000,000 58	\$15,746,000,000 *60	\$15,849,000,000 60	\$14,105,000,000 58	\$11,508,000,000 56
Rate of Circulation of Bank Deposits Outside New York City.....	1.36 75	1.39 76	1.42 75	1.46 81	1.32 73
Index of DISTRIBUTION.....	69.0	*68.4	70.4	70.8	66.2
Steel Ingot Production (Capacity)...	43.53% 56	45.28% 56	49.18% 56	58.06% 74	34.11% 44
Pig Iron Production (Average Daily Tons).....	55,713 60	*55,449 58	57,098 59	65,900 71	28,621 31
Domestic Cotton Consumption (Run- ning Bales).....	448,000 89	465,000 89	485,000 88	535,000 106	620,909 123
Total U. S. Construction Contracts..	\$124,000,000 30	\$124,000,000 30	\$123,000,000 31	\$134,400,000 31	\$77,171,000 26
Electric Power Production (Kw. Hours Aver. Daily).....	266,000,000 77	268,000,000 77	263,000,000 72	251,000,000 74	228,000,000 71
U. S. Automobile Production.....	**425,000 94	475,000 103	447,666 104	331,641 73	230,000 51
Commodity Carloadings (Average Weekly).....	197,000 58	174,000 58	210,000 66	204,000 60	166,000 49
Crude Oil Production (Barrels).....	80,290,000 102	77,100,000 103	76,800,000 100	76,880,000 97	82,870,000 105
Bituminous Coal Production (Tons)...	29,727,000 82	20,135,000 58	36,748,000 86	28,317,000 78	23,330,000 65
Portland Cement Production (Capacity).....	Not available	27,900,000 39	18,900,000 34	37,500,000 46	27,400,000 34
Boot and Shoe Production (Pairs)...	Not available	33,584,000 109	*33,584,000 106	33,874,000 115	32,900,000 112
Index of PRODUCTION.....	63.0	*65.3	*67.3	67.0	52.9
This Month.....	58.8	Last Month.....	*60.6	Two Months ago.....	*61.9
** Estimated		* Revised		One Year ago.....	62.6
				Two Years ago.....	57.3

aggregated nearly three times as many as in the same period of last year. Lafayette, new Nash offspring, introduced last year, already exceeds the parent in popularity.

RAILROAD freight loadings are an index of railroad prosperity and also of general business activity. It is not encouraging, therefore, to find this indicator falling behind last year—for six weeks in a row from mid-April to the 1st of June, and, indeed, in aggregate loadings from January 1.

A year ago at this time the freight-loadings for 21 weeks had totaled 12.3 million cars, against 10.4 for the same weeks in 1933—roughly a gain of 20 per cent, and an indication that the country was recovering. This year the freight loadings for the first 21 weeks were only 12.1 million. We are slipping again.

Railroad ownership has little to cheer about, for the net operating income of Class I railroads, that amounted to 145 million dollars in

the first four months of 1934, has this year dropped to 121 million. The current figure is at the rate of 1.8 per cent on property investment. A single bright spot is that the earnings for the last month available, April, showed a gain over the preceding month.

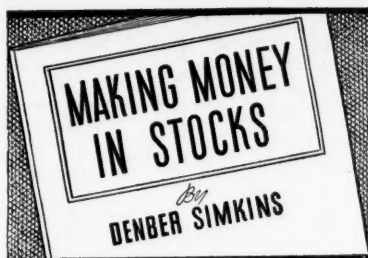
This whole railroad situation is simply explained by noting that while operating revenues grew larger by 9 million dollars, in the four months, operating expenses also grew larger—by 39 million dollars. The wage-cuts that had been canceled were beginning to have effect. A favorable decision by the Supreme Court, nullifying the compulsory pension law, will not improve railroad investments except by preventing them from getting worse.

STOCK-MARKET values are still to many persons the real barometer of prosperity, depression, or recovery. We make the suggestion here, however, that the barometer-reader or

the investor should look deeper than the "averages" at this time.

Experience long ago taught us to classify common stocks into three groups—industrials, railroads, and public utilities. These groups once rode through good times and hard times without the one outdistancing the others. If industry prospered, railroads were prosperous; and vice versa. Even the great crash of 1929 followed the pattern. In the first two months of slide, U. S. Steel dropped \$111 per share, Consolidated Gas of N. Y. \$103, and New York Central, \$96. There was little to choose.

Take the three classifications now, one by one. Thirty industrial stocks (we use Dow-Jones data) rose from an average of \$90 per share for the month of September to \$118 per share as these lines are written in mid-June. It was a rise of approximately 30 per cent. Meanwhile 20 rails dropped from \$35 per share in September to \$32; and 20 utilities have just about succeeded in holding their own, \$20



## Free to Investors

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in September of last year and \$21 last month.

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The reader may wish to carry the analysis further, examining the industrial group alone. He will find that the average price of food stocks (common shares, New York Stock Exchange) was \$27.31 on September 1 and \$27.58 on June 1. There was no rise in share prices in that branch of American industry. But chemical shares rose from \$46.67, average, to \$53.18. Office-equipment shares rose from \$21.96 to \$27.87.

OFFICE EQUIPMENT and business machines furnish a conspicuous example of business improvement fostered by NRA. By this we mean that the codes forced all industry to keep new and better records. The codes turned us overnight into a nation of time-keepers and cost-accountants.

Possibly irrespective of the codes, but occurring at about the same moment, was the beginning of a recovery era wherein it seemed easier for the makers of office equipment to demonstrate that an old typewriter could be more of an expense—in upkeep, operator's and executive's time, and lost business—than a new one.

Underwood Elliott Fisher Company, makers of standard typewriters, accounting machines, adding machines, and all sorts of office equipment, earned \$10 per common share in glorious 1929, less than nothing in 1932, \$1.99 in 1933, and \$3.62 in 1934.

Remington-Rand, Inc., reports sales of 22½ million in 1932, 28 million in 1933, and 33 million in its fiscal year that ended on March 31st last. A 50 per cent gain in two years.

International Business Machines Corporation earned \$11.64 per share of common in its best year, 1931; \$8.06 in its worst year, 1933; and \$9.38 per share in 1934.

Addressograph-Multigraph Corporation witnessed two years of deficits, to emerge on the profit side in 1934; and in the first quarter of 1935 the earnings-per-share (32 cents) are twice those of the same months of last year.

Burroughs Adding Machine Company presents a clean depression record, maintaining earnings and dividends in each year, though naturally diminished.

Royal Typewriter Company has seen deficits of two depression years turned into earnings that exceeded \$2.50 per share in 1934. More Royals were sold in 1934, in the United States, than in any previous year of

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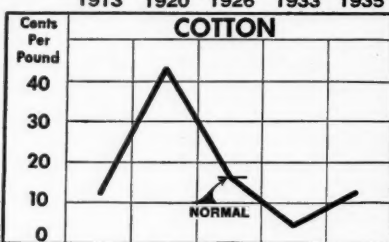
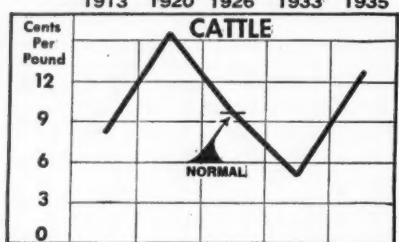
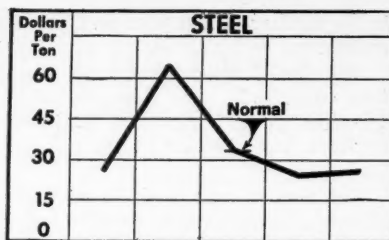
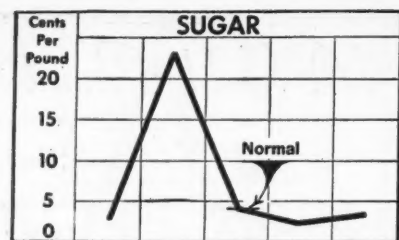
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**IN 1920** Inflation then saw sugar rise above 23 cents a pound, cattle to 15½ cents, cotton to 43 cents; steel rose to \$65 a ton.

the company's history. For the office equipment industry the corner was turned two years ago.

INFLATION has halted by the wayside. We gave space to the topic in

May and in June, but in this July issue we mention only that ten indicators printed in the REVIEW of REVIEWS Weekly Message reflect no recent progress toward inflation.

We do print on this page four small

charts showing how inflation came in the period from 1913 to 1920. It was gradual, of course; that is the sort of inflation which is expected now. But it was marked by an intervening war period, which furnished a reason and also furnished a false prosperity that made it seem easy for the individual to pay rising costs. The real fact is that the bill never was paid; it lies in Treasury archives, in the form of national debt and uncollected allied war debts.

To the millions who lived through inflation that culminated in 1920, as well as deflation that developed during thirteen years thereafter—a total span of twenty years—it is difficult to realize their extent.

Sugar, for example, went from 3½ cents a pound in 1913 to 23 cents in 1920, and back again to 2¼ cents in 1933. Cattle went from 8 cents a pound to 15½ cents and back again to 5 cents. Cotton went from 12 cents a pound to 43 cents and then to 6 cents. Steel went from \$27 a ton to \$65 and then to \$26.

But there were not 20 million persons on relief rolls then.

## Lend Me Your Ears!

(Continued from page 53)  
frigeration, also is piling up records. The ice manufacturers are not taking it lying down. They are using the same methods their competitors do, and getting good results.

### Ice Cream

What is your favorite brand of bottled milk? Do you know whether it is a Borden-Company-owned brand, or a National-Dairy-Company-owned brand? Wouldn't it mean a great deal to you to know that one of these companies is behind the local company, lending the weight of its national standards and reputation? Throughout the country, each of these companies has many allied and affiliated milk companies. If a program of nationalization were applied to bottled milk, and nationally advertised, would not people drink more bottled milk? In addition to improved health, there would be more dollars for the farmer, without adding cost to the consumer for a quart of milk.

The National Dairy Products Corporation is helping the farmer, as well as the public—and, incidentally, making a smart business move—by nationalizing ice cream under the Seal-test Laboratories System. A separate corporation has set up standards of purity and excellence for ice cream, and constantly supervises the manufacture of ice cream made by

the 40 member companies of National Dairy Products Corporation.

As an identifying trademark for these member companies—along with their own local, independent name—their advertising carries the red seal and label of Sealtest Systems. Thus, by national advertising, National Dairy Products sells the idea of ice cream. And for the first time it has enabled its member companies to equip their salesmen with a real sales kit, and a program of national advertising, to sell to dealers. The result is more ice cream sold.

It would be interesting to see the result of similar methods applied to bottled milk.

### Back to School

How many automobile salesmen call on you to sell you a car? How often do you see one? And how good are they at selling? Or do you have to walk into a display room to show your interest?

Either salesmen for automobiles are not showing force and aggressiveness in selling you a car, or else you are buying what make you want regardless of the blandishments of a competitive maker's salesman.

Perhaps your buying-resistance, your ability to turn salesmen down, is growing stronger than the ability of salesmanship to sell you. Whatever the reason, the automobile sales-

man is going back to school, for a postgraduate course in selling.

Pontiac has followed Ford in setting up postgraduate sales courses. The boys are learning all over again, regardless of their experience and maturity. The successful ones and the not so successful ones are taught merchandising, manufacturing processes, and salesmanship. Schools are being conducted in classroom style, in traveling classes, and by mail, followed by an examination.

### Good Business

Contrary to popular notion, canned fruits and vegetables are not leftovers of crops, but are choice products grown especially for canning. Manufacturers of the containers, and of the machinery to seal the containers, like the American Can Company, realizing that their sales health is dependent upon the quality of what goes into the can, have worked with farmers, canners, and the public to bring about high standards. As a matter of good business, it maintains its own laboratories, miniature canneries and kitchens. Its scientists go out into the fields to advise the growers. It cooperates with State and Federal agricultural bureaus, and distributes information to distributors and consumers alike on diets and uses of canned foods. The service pays dividends.

## Backing the Wrong Horses

*Continued from page 21)*

tive is stifled, that new enterprise is non-existent? Can capital be expected to accept a return of less than 4 per cent? Can business men be expected to forge ahead when they are faced with lower profits or no profits at all?

Four times in three years business has attempted to stage a genuine recovery. The first effort began in the late summer of 1932. This proved abortive because of the national election. The second attempt came in the spring and summer of 1933. This was thwarted by the NRA and other experiments. Another revival began in the fall of 1933 and extended into 1934. This was cut short by the growing suspicion that the New Deal did not approve of fair profits in spite of lip-service to the contrary. That suspicion became a conviction after the blast emanating from Green Bay, Wisconsin, late last summer. There followed last autumn a concentrated courting of banking and business, after which another attempt at recovery was initiated. This recently failed when the New Deal serenely proposed further experimentation based upon the two original fallacies.

Therefore, we drift along, going nowhere in particular. So we shall continue until the skipper takes a firm hold and charts a better course.

### Three Choices

What routes are open? Apparently three:

1. The New Deal may stubbornly adhere to its false premises. It may refuse to acknowledge the failure of its experiments. In that event, added billions will be squandered; pump-priming will continue without important result; unemployment will increase; profits will dwindle; the deficit will mount; our credit will be impaired; insolvency will be threatened. It is not believed that this route will be taken, for the New Dealers themselves secretly doubt the wisdom of their present course.

2. The New Deal may keep its promise and frankly admit that its experiments have failed. This admission will be refreshing but it will not help matters if further experiments, based upon the original false assumptions, are launched. If, however, the New Deal turns for guidance to that remaining remnant of sound Democrats—of whom Senator Carter Glass and Alfred E. Smith are typical—genuine recovery will result. This course of action is possible but not probable. To make such a shift would be to acknowledge complete defeat. That would prove disastrous

in 1936. Radicals would shout that the people had been sold out to Wall Street. The New Deal would lose most of its followers and there would be none to take their place.

3. There is a third possibility, which appears to be the likely outcome. Inflation may come along just in time for the New Deal to save its face and win the next election by a nose.

Already there has been sufficient monetary manipulation to bring about gigantic inflation. Inflation in turn will produce an astonishing upswing in the prices of stocks, commodities, goods, and services. This will result in a temporary business boom. Therefore, if inflation comes at the right time, the New Deal will be able to point with pride to the recovery and may win the approval of the electorate.

But there is dynamite in inflation even for the New Deal. If it sets in too soon, if prices rise too quickly, if the cost of living becomes onerous, the New Deal will be discarded.

Recovery based upon inflation will be unsound. Speculation, in spite of everything, will run riot until it precipitates a resounding crash. In that crash, if not before, the nation will be purged of the false doctrines which have infested the land, which have destroyed enterprise, which have generated class hatred, which have wiped out the savings of millions, which have filled men with despair, which have made a more abundant life an impossibility.

Then we shall return to the doctrine of our forefathers. Extravagance will cease to be a virtue. Thrift will earn its just reward. Speculation will cease to be deplored and recognized as an indispensable part of existence. Indolence will be penalized not glorified. The inefficient will be helped but not coddled. Charity will be replaced by opportunity. Labor will be guided to plenty not lured to poverty. The farmer will reap more instead of less. We shall again learn to toil not propagate in idleness.

No longer will it be disgraceful to achieve. Profit will be the sign of efficiency instead of dishonesty. Business will be encouraged not penalized. Bankers will be honored not maligned. Strong men will spring up from the ranks, gain renown and wealth, and be honored for both. No longer will the press and the pulpit, the radio, and the rostrum be defiled by demagogues. Every man will be a king in his own little realm. We shall cast the false teachers out of the Temple.

Then, indeed, we shall achieve a more abundant life.

## BEWARE OF FALSE ALARMS!



The stock market is coming to life. Profits are again in sight. Now is the time to buy if you want to get in on the ground floor. But beware of buying on false rumors!

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"Will you kindly send me a list of good short-term bonds, preferably of around five years' maturity, safety being the prime consideration."

"Please advise your best view on Hahn Department Store—Common, in view of this week's new set-up; and what does the new set-up actually mean?"

"Please give me an analysis of Quarterly Income Shares. Would you consider this a good buy as a hedge against Inflation?"

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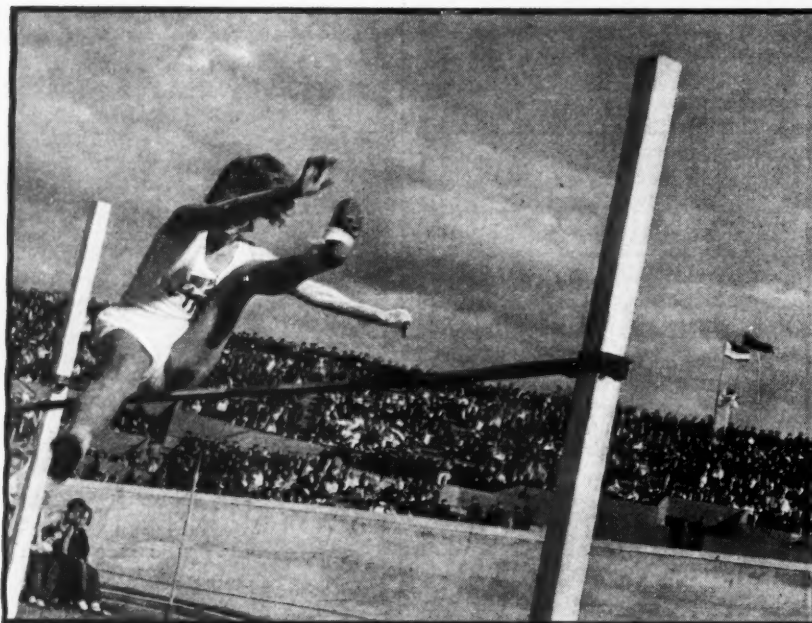
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## MOSCOW

The American summer session of Moscow University is not all work and no play. All sports can be enjoyed.



## SEEING RED

### RUSSIA ATTRACTS STUDENTS

Styles in travel change like styles in everything else. Today Americans go to Europe to learn as well as to play and they make a determined effort to do one thing at a time.

STYLES in travel change like styles in clothes, hats and automobiles. In the old days one tried to cram in all of Europe in six weeks or three months. The result was a bad case of museum feet and a few scattered impressions of Gothic cathedrals, thatched roofs and dead generals which never did quite get straightened out.

Travel today is more specific, aimed toward definite objectives. One goes to the Valley of the Loire, to Devon, to Piedmont or to Catalonia. It may be to study architecture, to attend international conferences, to hobnob with the natives, or, simply, to enjoy one's self. But one thing is done at a time.

### Russians Step Out!

These days Russia continues to be the mecca for people interested in the social sciences, for an incredible amount of experimental work is being carried on among its 170 million citizens. This summer, as last, several hundred socially-minded Americans will go to Russia to see how the reds are making out. While Russia is not lacking in historic monuments, in scenic beauty, or in resorts, the main purpose of these visitors will be to learn something, and to have a pleasant time while doing it.

In July a group of Americans will sail to study crime and crime prevention in the U. S. S. R. In the party will be criminologists, sociologists, psychologists, psychiatrists, lawyers and plain citizens such as ourselves. They will visit labor camps, prisons, communes for the reclamation of delinquents, institutions for juveniles, research laboratories, and will talk things over with the Soviet officials on the job. Joseph Fulling Fishman, American penologist, will head the party.

The Anglo-American session of Moscow University will be held during July and August. Last year about two hundred Americans were enrolled, to study Russian politics, economics, literature and arts. The courses are supplemented by laboratory work and first-hand inspection trips. Courses last four weeks, with two weeks of field work in the Ukraine, Crimea and the Caucasus areas.

From August 8th to 18th in Leningrad and Moscow the fifteenth annual International Physiological Congress will get under way. In the United States socialized medicine is the most controversial issue within the medical profession, and the American doctors will study the Russian system closely. There, medical service, hospitalization, and the like are furnished free



by the state. It costs nothing to get a boil or break a leg.

Among the American delegates will be the president-elect of the American Medical Association, Dr. James McLester, Dr. Harvey Cushing, eminent surgeon; Dr. E. V. McCollum, one of the pioneers in vitamins, and Professor Yandell Henderson of Yale University, the latter being well known as a physiologist and toxicologist. Dr. Henderson knows how much alcohol you have to have in your system in order to be partly, moderately, or completely intoxicated, and is called on frequently to testify in court cases.

### The Moscow Showshop

Moscow will hold its Theater Festival early in September, and again Americans will be on hand to find out how the Russians do things theatrical. Opera, plays and ballet will be presented. Lee Strasberg, director of the Group Theatre, which has put on *Men in White*, *Gold Eagle Guy* and other Manhattan plays, will lead a group of theatrically-minded tourists. Included in the Moscow repertoire will be Tairov's *Egyptian Nights*, in which the dramatist has combined Shakespeare, George Bernard Shaw and Pushkin; Rimsky-Korsakov's *Sadko*, John Fletcher's *Spanish Curate*, and the *Aristocrats*, a play dealing with the life of the criminals drafted by the Soviet government to build the Biela-Morski Canal from Baltic to White Sea.

As in the other groups, there will be a first hand study of stage technique, and discussions with the members of the various companies. Even such elementary matters as makeup will not be overlooked. A founder of the Moscow Art Theatre, with an extremely long name, V. I. Nemerovitch Danchenko, thinks that there is a close relation between acting methods in the Soviet Union and the U. S. A. "Of all actors," he says, "the Russian resembles the American more closely than any other actor in the world. Simplicity is the most prominent trait of American and Russian styles of acting".

### What's What in Holland

There are few wooden shoes in Holland. Practically none. One waterman, observed by the writer, did have oaken clodhoppers, but they were carefully painted a shiny tan, with black seams and imitation shoelaces touched in to give a metropolitan air. He told me that he only wore them on Sundays.

But there are plenty of other things to be seen and done by a casual visitor. There are dykes, and windmills,

and tulip bulbs, as everybody knows, and there is a world-wide colonial tradition which permeates everything, even as it does in London Town. Holland still has the third greatest colonial empire in the world: a million square miles and 60 million natives. Netherlands India, Dutch Guiana, Curacao, and New Guinea are under the red-white-and-blue tricolor, and an able-bodied Dutch marine corps closely resembles that of Uncle Sam in appearance and in hardbitten function.

Holland once ruled a universal empire, stretching from Manhattan on the Hudson to Capetown on the South African veldt. This was in the seventeenth century, when the Dutch republic ruled the waves, and old Van Tromp carried a broom lashed to his masthead to show that he had swept the British from the seven seas. In those savage days Spain had the finest regular infantry squares in the world, but the amateur burghers from the North Sea lowlands made them look silly under William of Nassau, surnamed the "silent". In this year of grace, 1935, the City of New York flies the old Dutch flag as its municipal emblem: blue, white, orange.

### 8 Million Dutchers

Today, however, Holland is up-to-date, though still picturesque. There are 8 million Dutchmen, and 3 million registered bicycles for them to ride on. One commonly thinks of the Netherlands as ultra-Protestant, but the country is a third Catholic, and the district around Nijmegen is highly clerical in its statues, shrines, schools, and religious orders.

The Hague and Amsterdam serve alternately as national capitals, like a pair of amicable Roman consuls. Amsterdam is a great metropolis and hive of industry, diamond-center rich in ancient Jewish lore. The Hague is a beautiful little "District of Columbia", with parks, public buildings, the supreme court of the League of Nations, and a picturesque caravanserai called *Hotel des Indes*. There is also a sedate enough night-club, *House of Lords*, and plenty of American movies with Dutch sub-captions for the home folks.

Holland is clean, although some of her ubiquitous canals are stagnant in spots. The people are anglophile, fed up with France and Germany and hostile to Hitler, although there is something of a local nazi movement under professors and ex-army officers. Dutchmen greatly admire America, have announced their solidarity with Uncle Sam in the face of Japanese colonial aggression, wear U. S. tortoiseshell glasses as a transatlantic fad. They even have little modernistic automats, with little au-

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tomatic bars, serving excellent little alcoholic drinks.

Weekend watersports abound along the Kaag, with Warmond as a typical base. Boats of every sort, swimmers, sails, yachts, canoes show where the national preference lies when it comes to fun and frolic. Dutch girlhood shows her seadog buccaneering background to advantage on Sundays, and the one-piece bathing suits of Holland are just as attractive as one-pieces at New York's Mr. Jones Beach or hot breeze-swept Miami Beach or (to keep peace in the family) Pacific-washed Coronado.

Holland has real charm, an atmosphere of her own, an advanced and humane administration, a tradition of law and order for well over a century. Dutch people are racially congenial to Americans, their "capitalist" business outlook is akin to ours, their home rule is in some ways better than our own.

### Hello!

More people visit New York than any other city in the world, and it is estimated that there are always fifty-thousand transients on hand, not to mention the floating population which drifts in for a few weeks or months and then drifts out again. To date there has been no large scale cooperative effort to attract visitors to the city.

But a change is at hand. The country's largest city will be ballyhooed to prospective visitors, along with the attractions of other parts of the State. The legislature has just provided for a publicity bureau to woo travelers or men on the lookout for good industrial locations. New York State, always boasting about its metropolis being the center of new ideas, has at last done what California, Florida, Michigan, the New England states, and many others have been doing very profitably for a good many years.

### Museum—New Style

A barbers' and hairdressers' museum is to be opened in the Marian-hilfe district of Vienna. The exhibits will show the methods and instruments used in the service of barbers and hairdressers during the last two centuries. A new building is to be erected, and will be open to the public under the auspices of the local barbers' guild. Among the curiosities will be the old irons and machines used for waving women's hair in the Rococo and Baroque periods of early Vienna. The museum will also exhibit the wigs and transformations used by the gentry of Europe during the past 500 years.



## Under the Black Flag

(Continued from page 60)

come his recruits? England has often been called a middle-class nation and it is certainly from the youth of the lower middle-class, or white-collar men, that the majority of Mosley's followers come. The largest class in Russia is the so-called proletariat, or those who work with their hands, but in England and America this class is actually in a *minority*. The largest class is the middle-class, which includes small shop-owners and managers, free-lances in all fields, salesmen, clerks, office workers, typists, skilled craftsmen, etc. It is to this class that fascism has made its greatest appeal, and today more than ever. In the present crisis the youth of this class has been cruelly ignored by capital and labor and politicians.

### Need for Fascism?

Without cash or unions to fight for them, British young men by the hundreds of thousands are idling away their time, many of them starving or bumming around from place to place, or living on a pittance from relatives, their clothes in rags, their shoes soleless. Thousands are without homes, sleeping in parks, riding the rods of trains, or living in the fields. Inately decent, honest, patriotic, capitalism has denied them life, while communism would have them betray their native land to a foreign dictator. Fascism to them is the only answer.

The secret of Mosley's success is the same magic formula evoked originally by Mussolini. Followed successfully in its main tenets, but with trimmings of his own, by Adolf Hitler; and which, in all but name, has put Starhemberg in control of Austria. The formula rests on the realization of two important facts: (1) That economic justice for all, and especially for the neglected middle and lower middle-class youth of today, is a human necessity and political dynamite. (2) That this economic justice can be secured not only without disloyalty to the state and without affiliations with a foreign or international power, but must be secured this way if the support of a tremendous section of youth is to be gained.

The main points in the policies and program of Mosley, should he come to power, may be listed as follows:

1. Loyalty to the crown and empire. The king would remain as a social empire and spiritual balance.
2. Abolition of the House of Lords.
3. Abolition of class distinction by inheritance of rank or wealth, and substitution of an aristocracy of

capacity and achievement.

4. Nationalization of the banks by a board controlled or appointed through the state.

5. Freedom of religious conscience.

6. Abolition of election of professional politicians from geographical districts, and substitution of delegates from vocational and occupational pursuits to a national legislative and economic congress—doctors sending medical representatives, engineers sending engineers, brick-layers sending brick-layers, etc.

7. Free trade within the empire, protective tariffs to foreign nations. (Why buy beef from Argentina while Australia needs a market?)

8. International coöperation for world peace, but very adequate defense for Britain and dominions until such a peace machinery has been established.

Mosley's position on the semitic question is fairly clear. Few Jews are taken into the movement because of the possibility of their communist affiliation. There are, however, some British Jews within the organization. Mosley has publicly expressed himself several times as seeing no reason why an individual should be accused of conspiracy against the state and the crown merely because of Jewish blood. If communist press and communist sympathizers consider anti-communism and anti-semitism as identical, then he is anti-semitic.

### What's at Stake

Mosley is trained in politics. In this, his latest venture, he has burned his bridges behind him, and it is either "forward" or political death. First a Conservative, then a Laborite, he feels he has found himself in British fascism. His entire wealth, time, and influence have been thrown into the movement and, in the writer's opinion, he is too thirsty for fame ever to betray his constituents, regardless of what the other fascist groups may say. Whether he ever becomes fascist premier of Great Britain depends in the main on the degree of increase in both communism and unemployment.

British feudal aristocracy and their retainers, in contrast to the Prussian Junker caste, are liberal rather than dogmatically militarist. They scorn Mosley now, but in the end they would accept any alternative to bolshevism; while the innately patriotic youth of the British middle and working classes would certainly be inclined to try something new if either the Conservative or Labor party fails to find a remedy for the economic situation.

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## No War for Europe?

# "She"

by H. Rider Haggard  
beginning in the July

## GOLDEN

BOOK

*Magazine*

"She," glamorous mystery woman, will haunt you through the pages of H. Rider Haggard's adventure-classic, beginning in July. The most dramatic love-story ever imagined! Do not miss in GOLDEN BOOK this romance of the immortal "She," now being portrayed by Helen Gahagan for the screen!

### ROMANCE

Besides "She," the July GOLDEN BOOK brims with the surprises of life. Romance rides high in S. M. Avery's "Guilled Pheasant," the tale of a lovely woman and her amazing secret. And in "The Necktie" Conrad Aiken raises the curtain on Paris night life, and pulls it just in time.

### DISCOVERIES

First publication here of a sparkling and naughty tale by Baroness Hathaway, and another by a new young American story-teller.

### HUMOR

The barbed wit of Dorothy Parker; a hilarious burlesque by Newman Levy; and the irrepressible "Saki," who puts a mouse, not ants, in the hero's pants . . . As a special introductory offer we will send you six big issues of GOLDEN BOOK beginning with July for only \$1.

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Here is my \$1. Please send me GOLDEN BOOK MAGAZINE for 6 months beginning with July.

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(Continued from page 58)

the same reason that all forms of buying and selling go forward, because it yields a profit.

The popular notion that the armament industry earns much more money fighting a war than preparing for war was always doubtful. And, in the twentieth century, it is certainly a completely erroneous notion. War itself was most profitable to the armament industry at those periods when it made money by speeding up consumption of great quantities of goods that could be produced easily and when simple materials were destroyed. But the ordinary projectile is no longer of decisive value either in warfare or as an object of exchange. The most important apparatus today is the expensive, very refined instrument of precision, which yields the armament industry its maximum profit. The volume of production of such instruments, however, is limited. These products of the most expensive specialized labor grow obsolete very rapidly, and every nation must continually supply itself with new equipment because last year's equipment is almost completely useless. Under such ideal circumstances, what need does the armament industry have for war itself? War would, on the contrary, only destroy business, for, in spite of the politeness of neutral nations and their willingness to serve as connecting links between the "enemies," it is much easier to sell munitions to all countries during peacetime without reference to political considerations.

### Science Replaces All

It is also worth remembering that, when technology is omnipotent, there is no such thing as irreplaceable loss of territory. If a country loses a source of raw materials that some other country has taken away by shouting about it, it will then make ore or copper from earth or air. If it has a harbor taken away, it reaches the sea by the stratosphere. If it loses an industrial district, it will be delighted by such a loss during this period of permanent crisis and will presently build a modern spic-and-span industrial center overnight in some other part of the country. In short, at a time when technology can accomplish anything, everything is replaceable because all nature can be compelled to yield materials.

Not many years ago things were quite different. Indeed, they were as they had been for many centuries. Who would ever have supposed that

Albanian shepherds would build automobiles? One of the basic elements in industrial production was the irreplaceable, organic, traditional place of residence in which the inhabitants of certain countries lived and performed their difficult industrial labors. Lancashire, for instance, dominated the textile world not because of its good machinery but because its workers had been trained for a century. Today things have undergone a radical change. Anyone with the desire and money to do so could import a couple of engineers and teach the Albanians how to make automobiles that would, of course, cost more than Ford cars but that would run.

Obviously, all this would be theoretically true if it were expressed the other way around. The same course of events would ensue not only if Germany seized Lorraine but if France occupied the Rhineland. In the light of everything that has occurred, the threat of highly mechanized insanity is so great that nothing will happen anywhere in Europe. From a practical standpoint, however, this is not quite so true of Germany because the Germans are comparatively more prepared for an enterprise in collective suicide, and, furthermore, they have put themselves in the hands of a government that has made every European, even including general staff officers, come to the unquestionable conclusion that the machinery of war must be used. The close proximity of insanity does not irritate Germany's neighbors. They give in to Germany as long as they have anything to yield, and therefore no war occurs.

This peace, which is in no way suggestive of paradise, may come to an end. It will end when the Nazi Reich confronts a fascist France, a totalitarian state totally armed. As long as the involuntary opponents of fascism are not fascists but are reasonable people, whose power of decision is weakened by certain humanitarian considerations, the system of coordination that has just been described will remain in force. By reason of their easily understandable attitude, these reasonable men are creating the very prerequisites that will give birth in their country to the now "heroic" and insane type.

Any essay that attempts to indicate that war is dying out must close with the assertion that there will be a war. But it will come only when the attitude of Hitler's present liberal opponents has made them lose office and when Hitler's own power has grown to such a point that the war has finally become completely senseless.



# WHERE-TO-GO



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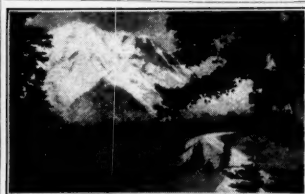
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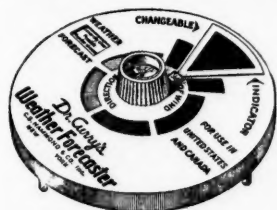
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Enclosed find \$2.00 for Curry's Weather Forecaster. Send prepaid to address below:

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# FOOD FOR THE ELEPHANT?

Reactions to the Supreme Court decision furnish material for the cartoonist—and for the coming presidential campaign.



By Cassel, in the Brooklyn Eagle

**STOP**

Before rushing blindly into more unconstitutional legislation, Congress may well study a copy of the Constitution itself.



By Sveigert, in the San Francisco Chronicle

**HEIR**

The death of the Blue Eagle has returned to business the opportunity to forge upward. Can he do it? Time will tell.



By Elderman, in the Washington Post

**GRIEF**

Richberg and Johnson forget their rivalries at the grave of their mistress and mingle briny tears and spring flowers.



By Elderman, in the Washington Post

**ISSUE**

The New Dealers have presented the Republicans with a campaign issue—but will the Democrats accept the challenge?





By Brown, in the New York Herald Tribune (c)  
The Blue Eagle is dead and buried—all but the tremendous bill which the taxpayer will long have cause to remember. What a beak!

**BILL**



By Warren, in the Buffalo Evening News  
Must Uncle Sam turn "back to the grass roots" to recover a firm footing on which to proceed? Some Republicans think he must.

**BASE**



By Gropper, in the communist New Masses  
In the eyes of our home-grown communists the capitalistic set-up at Washington is all a lousy game of plain back scratching.

**LICE**



By Fitzpatrick, in the St. Louis Post-Dispatch  
The favored farmer, liberally supported by the Agricultural Adjustment Act, may well dread the test of its constitutionality.

**NEXT**



By Talburt, in the New York World-Telegram  
*Japan renews her policy of imperialistic expansion as eagerly as a greedy fly and indeed with considerably less danger.*

**SWEET**



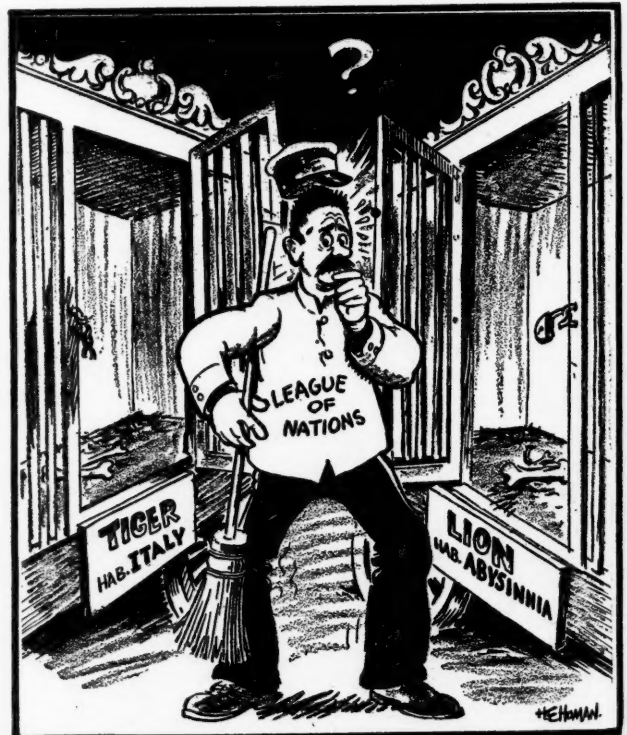
By Elderman, in the Washington Post  
*A sly dig at the "righteous" resentment of the Italian press against England's definitely pro-Abyssinian sympathies.*

**PICKET**



By Doyle, in the New York Post  
*If Uncle Sam is so strong for Cuban and Filipino freedom, the old gentleman should be more tariff-kind to his proteges.*

**FREE?**



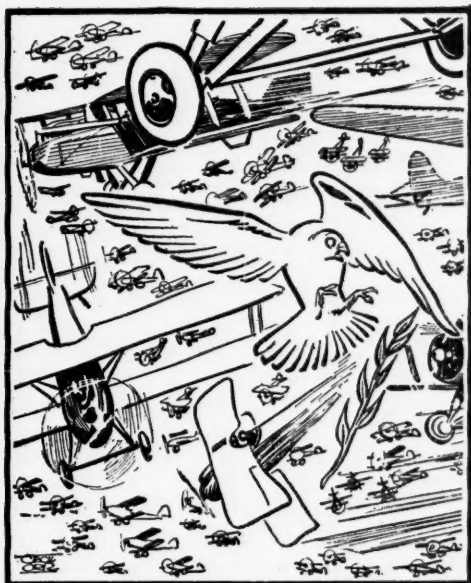
By Homan, in the Los Angeles News  
*The League of Nations keeper finds that two of his most potentially mischievous carnivores escaped—Italy and Abyssinia.*

**CATS**

# CARTOONERY FROM CRUSTY MADAME EUROPA



From the Amsterdam Notenkraker (Holland)

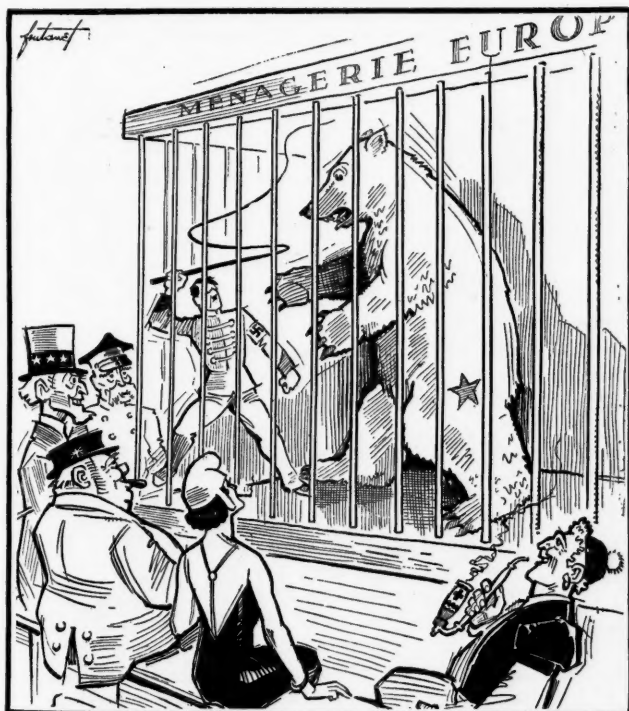


From the Glasgow Record (Scotland)

## GHOSTS

German pacifist shades, to England, France, and Italy: "If you only had been as forbearing to our German republic as you now are to General Goering!"

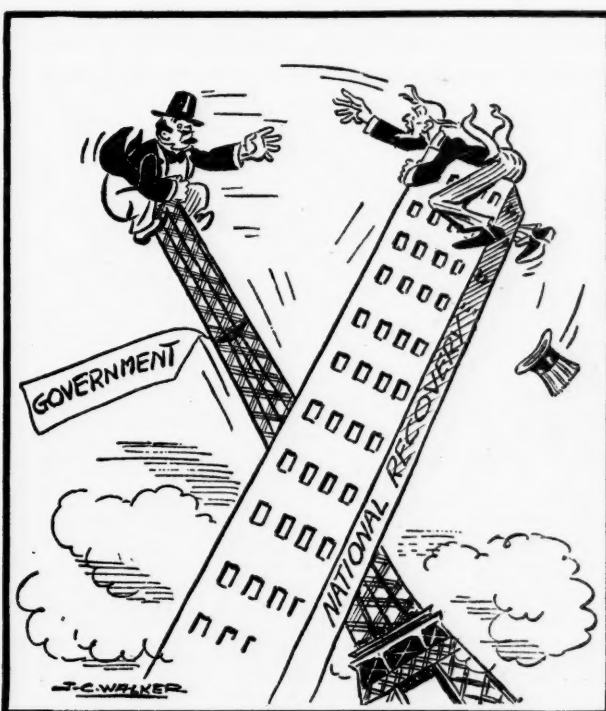
The peace dove finds her pretty little wings battered by the hard-boiled military aircraft of the embattled great powers.



From the Geneva Piloni (Switzerland)

## BEARISH

Sooner or later the patient Russian bear will eat up Adolf Hitler, if he insists on abusing it so. The other powers look on.

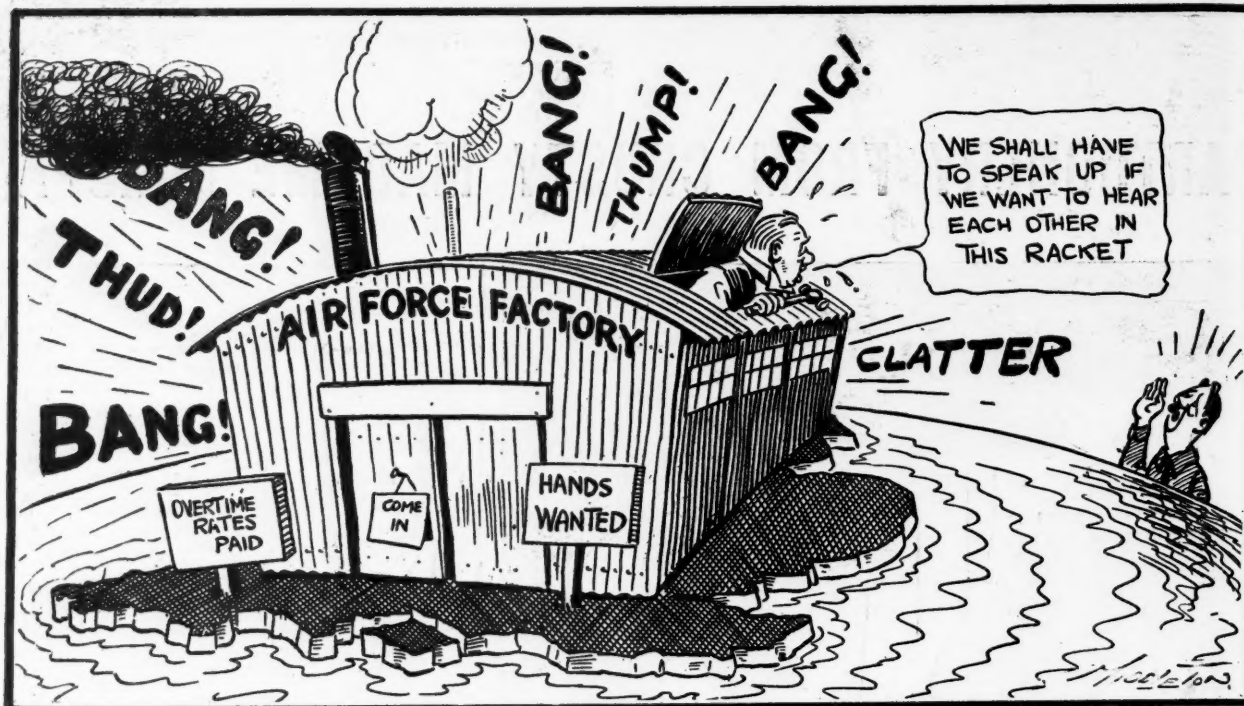


From the Cardiff Echo (Wales)

## SHAKY

France totters in regard to golden finance. Uncle Sam sways when it comes to the "where-are-we" N.I.R.A. decision. What now?





From the Birmingham Gazette (England)

**WOW!!**

England is expecting greatly to expand her air-force to keep up with rivals of the Continent. Nobody is very anxious to turn the island into a vast war factory except the local merchants of death. How about an agreement with Hitler whose program is shown in the cartoon below, left.



From Kladderadatsch (Berlin)

**WINGS**

A new German air-force rises from the ashes of the World War, to the horror of the "victorious" Allies, shown above. War-birds are old harbingers of death.



From the Daily Herald (London)

**CAESAR**

The so-called Great Man gives a thumbs-down signal. Will Italian "civilization" finish off plucky little Abyssinia in the arena? Italy has tried it twice before, and failed.

*For long hard mileage*  
and economy spread over the years



Example of de luxe styling for International Trucks. The modern International line fits all hauling needs—sizes from  $\frac{1}{2}$ -ton to powerful six-wheel units. Prices as low as \$400 f. o. b. factory, for  $\frac{1}{2}$ -ton 6-cylinder chassis.

A **S**UIT of shoddy materials may stand the test of a sunny afternoon. But what of its condition after a year of hard wear? And, likewise, what about the *truck* you buy, at the end of a year's hard service?

A short try-it-on-the-job demonstration cannot tell you what you're going to find out after long mileage. And that's what you want to know when you buy. Brilliant performance is common enough in most new trucks today, but not all trucks can *continue* to give you trouble-free, low-cost service for long.

By far the greater part of a truck's economy is in lasting *stamina*—a steady procession of ton-miles delivered over a period of years. That is being proved by *Internationals*, at the hands of thousands upon thousands of owners.

Put your faith in International's 30-year reputation for quality. Solve your hauling problem through International ownership, and turn your mind to other problems.

**INTERNATIONAL HARVESTER COMPANY**  
606 S. Michigan Ave. OF AMERICA  
(INCORPORATED) Chicago, Illinois

**INTERNATIONAL TRUCKS**

# THE EDITOR'S MAIL

## Danger Ahead!

To the Editor:

I appeal to you because the National Forests are again in serious danger.

Another attempt is under way to get the National Forests and the forest work of the government transferred from the Department of Agriculture, where the forests are safe and the work well done, back to the Department of the Interior, from which they were taken because of wretched management.

The present attempt is made under cover of an effort (Senate Bill 2665) to change the name of the Interior Department to the Department of Conservation and Public Works. The transfer of the National Forests and the Forest Service is not mentioned in the bill, but is planned for later on.

Conservation is too broad a subject to be confined to any one Department. Nearly all of them deal with it in one form or another. A Department of Conservation would be almost as illogical as a Department of Typewriting or a Department of Wastebaskets.

The conservation policy itself, and about every important conservation movement for the last thirty years, have originated in the Department of Agriculture. It has shown practical horse-sense in dealing with natural resources intelligently, uprightly, and without fraud or loss.

In contrast, the record of the Interior Department is far and away the worst in Washington. Every natural resource, without exception, that has been held for disposal by the Interior Department—public lands, Indian lands, coal, oil, water power, and timber—has been wasted and squandered at one time or another.

Secretary of the Interior Ickes is sincere and honest, but he cannot live forever. Secretary Garfield was honest, but Secretary Ballinger, his successor, tried to give away the people's water powers and the coal lands in Alaska. The resulting scandal cost Taft his re-election. Almost everyone remembers Tea Pot Dome, when Secretary Fall handed the Navy's oil lands over to the despoilers. Fall tried hard to get his hands on the National Forests.

Wood is a crop. Forestry is tree farming. It belongs in the Department of Agriculture with all other farming and production from the soil.

Undoubtedly if Secretary Ickes got the National Forests he would do his level best, but he has more work now than any other cabinet officer in Washington. The National Forests are bigger than all the Atlantic States from Maine to Virginia, inclusive. Why put this additional load on a man who has too much to do already? Let the National Forests stay where they are.

GIFFORD PINCHOT,  
Milford, Pennsylvania.

## Sir Samuel Hoare

To the Editor:

Because the *Review of Reviews* devotes so much of its space to interpretations of world news that the average American correspondent misses, I do hope you will give really extensive attention to the appointment of Sir Samuel Hoare as British Foreign Minister, especially its significance to the United States.

Virtually no mention has been made of the fact that Sir Samuel Hoare led and organized the British military secret service in Russia during the War when his intense antipathy to Bolshevism originated. Today his home is one of the centres of White Russian emigré activity in London.

Since the War two matters have chiefly engaged Sir Samuel's attention. He is the man primarily responsible for Britain's air armaments, having held the post of Air Minister in every Conservative cabinet since Bonar Law succeeded Lloyd George in 1922. More recently, as Minister for Indian Affairs, he has been chiefly responsible for the preparation of the draft constitution for India. His functions here have not only added to his antipathy to Russia because of his fear of communism in Asia but they have made him understand that England's interests today lie chiefly in Asia, not in Europe.

How all this affects the United States is luminously clear to any American who has followed the series of promptings from London through such mouthpieces as General Smuts in behalf of an Anglo-American alliance in the Far East. The appointment of Sir Samuel Hoare and the relegation of Anthony Eden to League of Nations matters marks the victory first of the pro-German wing of the Conservative party and secondly indicates that British foreign policy is now centering its attention on Asia. Americans who are eager to fight Japan or Russia in behalf of British supremacy in Asia will welcome the arrival of Sir Samuel Hoare in the British Foreign Office.

QUINCY HOWE,  
New York City.

## Securities

To the Editor:

The article *Racketeering in Securities* by John A. Straley and Eliot Sharp which appeared in the May issue is particularly interesting to members of the San Francisco Stock Exchange, a number of whom have commented to me most favorably upon it.

This article is especially timely because of the announced policy of the SEC of "educating the American public to protect itself against high-pressure

salesmanship". The San Francisco Stock Exchange and its members have actively cooperated with the Commissioner of Corporations of the State of California and the Better Business Bureau in their programs for eradicating unscrupulous and fraudulent security dealers from this State. . . .

Messrs. Straley and Sharp state in their article: "Caution dictates dealing only with a firm which is a member of the Exchange on which the securities in question are listed". If this mandate were carried out by investors, members of the San Francisco Stock Exchange who are not members of the New York Stock Exchange would be precluded from executing orders in those securities which are listed on the New York Stock Exchange but not listed on the San Francisco Stock Exchange, etc. . . .

HARRY W. SACK,  
San Francisco Stock Exchange.

The Editors regret that this single sentence in the article by Straley and Sharp lends itself so easily to a too literal application. It is clear from the article itself that no such situation, as is raised by Mr. Sack, was in mind. The article was aimed to check racketeering in securities and not to hamper legitimate investing through out-of-town exchanges.

## Advertisement

To the Editor:

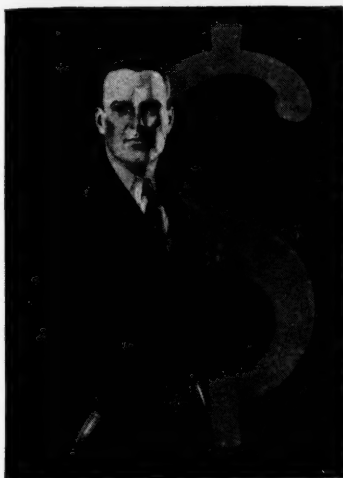
In the June issue you publish an article on advertising by Stuart Peabody. As illustrations of old and new styles in advertising, you reproduce an ad of ours which appeared in the *Review* in 1905.

You will be interested to learn that the reproduction of the 1905 ad has so far brought in thirty inquiries as to whether or not we are still manufacturing portable cottages, cabins, summer houses, and the like. We are glad to say that we are, and hope that some sales will result from these inquiries.

S. G. MORLEY,  
Mershon & Morley Co.,  
Saginaw, Michigan.

Also reproduced in the same article was an advertisement of the Gillette Safety Razor Co. which appeared in the *Review* in 1905. After describing the good points of the Gillette razor, the advertisement offered to exchange one new blade for every two dull ones, in the effort to cultivate Gillette good-will and Gillette business. A few persons, the company informs us, have written to see if, by any chance, the offer still stands. Amused Gillette officials reply that the offer does not.—Ed.





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And it isn't necessary to practice law to get this Success. In fact probably most of the men who study law today have no idea of taking the bar examination or becoming lawyers—they want law training to give them mastery of men and situations in business. You know that—

- (1) the man with legal training is a leader—not a follower.
- (2) legal training keeps your mind—clears away the problems that stump the ordinary fellow and makes you master instead of man.
- (3) knowledge of law simplifies the complications of executive work.
- (4) Many top executive places are filled by men who have studied law.

No matter whether you are in a big corporation or a small business—in a great city or a little town—a practical knowledge of law cannot fail to be of real and vital help to you in making a more successful career.

In every state in the union you'll find law-trained men who came up through LaSalle. What others have done, you can do.

And LaSalle offers either a full law course leading to LL. B. or a shorter business law training—whichever you prefer. All text material, including valuable 14-volume Law Library. Training comprises the most effective features of modern law instruction.

### EXECUTIVE TRAINING

Executives who are efficient managers command responsible positions and good incomes. And the need for trained executives is growing rapidly. We train you thoroughly at home in your spare time for every type of executive work—teach you the principles and practices used by our most successful business leaders and help you develop your management capacity—by a training built with the aid of outstanding executives.

### Become an Expert ACCOUNTANT The Profession That Pays

The demand for skilled accountants—men who really know their business—is increasing rapidly. New state and federal legislation requires much more, and more efficient accounting from business—big and small. Corporations are in constant need of expert counsel in matters relating to Auditing, Cost Accounting, Business Law, Organization, Management, Finance. Men who prove their qualifications in this important branch of business are rapidly promoted to responsible executive positions—given an opportunity to earn real salaries. The range is from \$3,000.00 to \$15,000.00 a year—even to higher income figures.

Under the LaSalle Problem Method you can at home acquire a thoro understanding of Higher Accountancy, master its fundamental principles, become expert in the practical application of these principles—this without losing an hour of work or a dollar of pay.

Your training will be under the direct supervision of a staff of legal, organization and management specialists, business efficiency engineers and Certified Public Accountants.

Preliminary knowledge of bookkeeping is unnecessary. We train you from the ground up, or from where you now are, according to your individual needs.

### POOR ENGLISH!

*How Much is it costing you  
in wasted opportunity?*

Every day your associates are judging you by what you say and how you say it. Hazy ideas, ill-chosen words, halting sentences, crude, slovenly speech—these mark a man as loose in thinking. Thoughts clear cut, words that give true shape and color, sentences aflame with power and originality—these are the things that proclaim ability that win for their users swift advancement. In the quiet of your own home—with LaSalle's help—you can learn to speak and write with real distinction, learn to make the words you utter and the letters you compose stamp you as educated, cultured—a power to reckon with in the business world.

### OPPORTUNITIES In Traffic Management

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### MR. SALESMAN: What's Wrong?

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# MEN, WOMEN, AND BOOKS

What can be done to save the country from its saviors? What is happening in Mexico? Must every dictator triumph? Our authors sit down at their typewriters and supply all the proper answers.

## New Deal to Disaster?

In the earlier days of the New Deal, popular hope was that the radical members of the administration would be offset by conservatives such as Lewis Douglas, director of the budget. However, the conservatives soon found that they either had to shut up or resign.

Utterly out of sympathy with the gigantic spending and "collectivist" aims of the administration, Lewis Douglas resigned and has since raised his voice in protest. *The Liberal Tradition: A Free People and a Free Economy* (D. Van Nostrand, \$1.50) embodies his ideas as to what can be done to save the country from its saviors. Douglas' book is not easy reading, but he presents his ideas briefly; all is concrete and much to the point.

First of all he talks about the sins of the more recent past. He thus describes what went on, financially and industrially, during the Terrible Twenties: "It was not a system of free competition; it was not a system of rugged individualism. On the contrary, in some measure at least, it was a system of degenerate capitalism in which capitalists of all grades and all classes sought the assistance of government, profited or attempted to profit by subsidies, endeavored to escape from the rigors of competition, so that the inefficient might survive—in short, a system in which the capitalists advocated the things which must destroy the system in which they professed to believe."

As a result of the economic aftermath, Douglas finds that "many confuse the system which failed with the competitive system for profit, and they would substitute a social and economic system completely new to America for the one under which we have grown great."

He says that the administration has embarked on a program which,

if not thwarted, will lead to dictatorship, to the authoritarian state.

Douglas feels that inflation is coming, that the unparalleled spending for public works may result in the repudiation of government debt, that restriction of crops or production is economically indefensible, that the financial policies of the New Deal can lead nowhere but to disaster. Strong words, these, but they come from a man who was once in sympathy with the New Deal's professed aims and whose criticism springs not from personal bitterness but from a sound sense of good government.

Douglas would like to see the country reform itself, continue along the lines laid down during a century and a half by reestablishing "a liberal economy" in which there would be "free competition and flexibility of prices, mobility of labor and of goods, flexibility of costs, a sound currency, a reformed banking system, and finally, a responsible fiscal policy".

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Lewis Douglas criticizes the New Deal vigorously in his new book; says it may lead to dictatorship.

## More Women Than Men

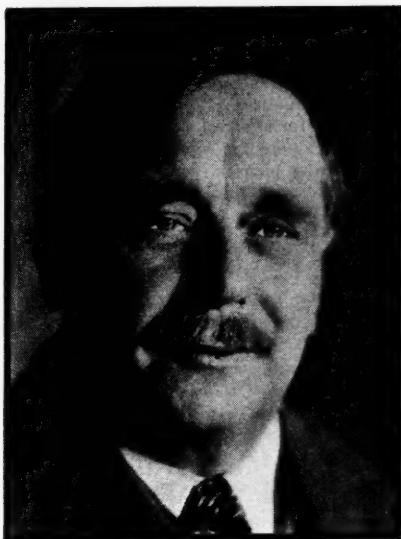
News of the Paraguay-Bolivia war has filled newspaper headlines for three long years, and *Land of Women*, by Katherina von Dombrowski, is hence more than timely. It is a remarkable historical novel, translated from the German, which contains the biography of Dictator Lopez of Paraguay, warlord of the mid-nineteenth century. Lopez took on the mighty Argentine, Brazil, and Uruguay in a suicidal war. Pancho, who thought himself a Bonaparte, was that and more horrible things besides. At the beginning, Paraguay had a million and a quarter of population. At the close, there were 29,000 men, 106,000 women, and 86,000 children left to tell the gruesome tale. To this day the women of Paraguay far outnumber the men.

Here is a good story, well written, with startling history and an authoritative background. German historical biography was the best in the world before Hitler, and this book is a worthy addition to a long list begun by Emil Ludwig and Stefan Zweig after the war. Little Brown is the publisher (\$2.50) and the volume is recommended by the reviewer, who has followed the 1935 war closely as waged in the hell of Gran Chaco.

## Wells' World

H. G. Wells has recently returned to his native England after two visits here within a year. *The New America and the New World* briefly summarizes his philosophical observations on what there is to offer hereabouts. He is distinctly in favor of New Dealism, in one form or another, and of Anglo-American cooperation as a form of world salvation. In addition to reviewing the Yankee scheme of things, the great outliner of history looks over the rest of our more than reckless planet.

Russia, he finds, is losing her revolutionary idealism, but is after all infinitely superior to the Third Reich and fascist Italy. Huey Long and Adolf Hitler have things in common, he says correctly enough. Our Southern poor-whites evidently remind him of nazi lower-middle pro-



*H. G. Wells ponders post-war politics and finds cause for optimism.*

vincials of Nuremberg. America, he thinks, had better take over Great Britain, at least superficially. This book is written with all the old Wellsian brilliance, and is complete in 78 pages, net. Macmillan is the publisher, and the price is \$1. It is enjoyable, provocative, and carries a message for all those who are world-minded. H. G. Wells is still going strong, challenging, debunking, idealizing, hoping against hope.

### Dictators and Democracies

John Martin is a quiet, thoughtful international expert, consultant on foreign relations for Rollins College, Florida. His excellent *Dictators and Democracies Today* covers the machinery of peace, including the League of Nations, the disarmament breakdown, the possibilities of American-Japanese war, and potential pacifist tactics for the future. He then takes up the Russian, Italian, and German dictatorships in perspective, and the French, British, and American democracies, closing with an analysis of youth.

Mr. Martin is factual, concise, and well informed. Like many good Americans born in Great Britain, he has a balanced detachment in evaluating American problems that is lacking in only too many of our native sons. The Martin book is published by the Rollins Press (Winter Park, Florida) at \$2.50. "American-

ism," says Mr. Martin, "means that every citizen in times of peace shall be cared for in sickness as skilfully and certainly as the soldier is cared for in time of war." We have cared for the minds of America through our excellent public school system. We must, in turn, care for the physical wants of all, and in this we have been sadly deficient to date—far out-distanced by England, Germany, and the great Soviet Union. Life, liberty, and the pursuit of happiness should, in the twentieth century, include food, clothing, and shelter for American mankind.

### Crisis in Mexico

At the outset the author of *Chaos in Mexico*, Dr. Charles Macfarland, states that the volume may leave the reader "in seemingly inextricable confusion". It does. But the confusion arises not from the author's able presentation, but from the very subject itself. To expect a portrait of that land of revolution, Mexico, to be anything other than confused would be as idle as expecting the patterns in a kaleidoscope to be perfectly geometric or the mental processes of a patient in the psychopathic ward to be rational. More than ever does this book make us wonder toward what the present Mexican government is really aiming and whether the officials really know their own minds, much less the minds of their fellow officials.

This volume is not a mere academic discussion of what the author might think conditions are. Dr. Macfarland has had long experience as a field worker. He has spent time on the spot. Testimony from all the parties, the government, the Catholic church, the Protestant church, is adduced. Personal interviews with the chief men involved, the President of the Republic, the Secretary of Foreign Relations, the Secretary of Public Education, the Apostolic Delegate, the Archbishop, men representing each walk of Mexican life, constitute the evidence, and much of it is given in their own words.

His analysis of the causes of the conflict between church and state is illuminating, especially the discussion of Article III of the 1917 Constitution, dealing with education. But on the whole, Dr. Macfarland prefers to let us judge the debate for ourselves, having first summoned all the principals involved to present their individual versions and arguments.

Dr. Macfarland's book should be of interest to any student of foreign politics and to anyone who wishes a clear, unbiased view of what is happening inside the house of our southern neighbor. (Harpers, \$2.)—A. A. H.

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### New Feature Worth the Whole Subscription Price

Parents should watch a new department, "This World of Ours," edited by Fred Charles, chief editorial writer of the Buffalo Times and well-known to educators. He has the rare gift of making difficult current events, which are of vital importance, surprisingly easy to understand. If your children have this newspaper regularly, they can intelligently discuss with you topics like "Dust Storms—What They Mean", "Breaking Treaty Promises", "Continuance of the N.R.A.", "Spending a Billion Dollars", "The Bonus", and "Inflation". Mr. Charles' interpretation of such problems to young minds will have a positive effect upon the intelligent viewpoint of our future voters and managers of America. Parents, too, enjoy this department to help them clarify confused theories about Uncle Sam's chief worries.

### They Cheer for It

This newspaper is different from any publication boys and girls have ever had because it is breezily edited and written by youthful men and women who understand what young folks like. It comes along twice a month and it is worth its weight in gold during weekend holidays, when young folks want interesting things to do. It is a favorite in exclusive schools; it is also popular in the country school house; it is a welcome visitor on the farm and in the city mansion, because it has captivated the interest of young readers who have their serious moments and want to know what the world is doing. They count themselves as lucky to have the first paper of its kind



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The long period of vacation days is here. There will surely be plenty of time for sports and outdoor pursuits. But where are young people to find an easy pleasant means of keeping in touch with the serious things which are going on in the world, unless they have their own newspaper? The new reduced subscription price should make it possible for the boys and girls whom you know and love to enjoy and profit by the twice-a-month visits of the first newspaper made exclusively for young people. Less than a cent a day is very little to pay for so much entertainment that is instructive without any of the ear-marks of a text book.

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# YOUR LIFE INSURANCE

## QUESTIONS AND ANSWERS

### Inflation Effect

**QUESTION:** What effect, if any, would inflation have upon life insurance?

**ANSWER:** Exactly the same effect as on any other fixed obligation, whether it be a bond, actual cash on hand, or a deposit in the bank. There is no protection against excessive inflation. Inflation, however, is unlikely to the extent that it would affect life insurance, certainly not more than any other form of safe investment. The buying power of the dollar may rise or fall, with deflation or inflation; but dollars named in an insurance policy will be as good as any dollars can be at the time the policy matures or the annuities are paid.

### What to Do?

**Q.** What are the insurance companies doing to avoid unfavorable inflation results?

**A.** Naturally these financial institutions desire to maintain property values for the benefit of their policyholders at an equable level at all times, including a certain amount of inflation when that is necessary to accomplish the purpose. Insurance companies did much to check deflation by their reluctance to dump securities or to call mortgages; but they can do little or nothing to retard or avoid inflation.

### Capital Losses

**Q.** Have capital losses suffered by insurance companies had any marked effect upon their financial condition?

**A.** Life insurance accounting is a technical subject, not amenable to simple analysis. Capital losses can be determined only by an analysis of the investment holdings, and by determining losses met by marking-down or writing-off investments. Due regard should be had for the fact that these same investments may over a period of time recover their original value. The exact ratio of surplus to investment, or a current de-

crease, cannot be taken as the measure of a company's position, since these basic factors vary according to the new business placed, the type of policy purchased, and many other factors.

### Policy Loans

**Q.** What has been the effect of the demand for policy loans which the life insurance companies have met?

**A.** If the company has not been forced to liquidate part of its investment holdings to meet demands for policy loans (none of the larger companies has been forced to do so), policy loans are then considered a very satisfactory investment. The loans are secured by the legal reserves which the policyholders themselves have built up by their payments, and there is no possibility of loss. The return is a satisfactory rate of interest. Normally the income exceeds the outgo, but in any event the difference is never likely to be large. The result is that institutions have met all demands during these years of adversity.

### Term Insurance

**Q.** Would it be your recommendation for this reader of your Service Division to purchase a term policy if he has not the funds available at this time to insure on some permanent plan?

**A.** Term insurance is suitable as a first step toward permanent insurance, particularly for young men of limited means. A convertible term policy gives the policyholder the right to change the term contract for permanent insurance at some time in the future, irrespective of the health of the insured at time of conversion. This change may be effected at any time after the first year.

### Diversification

**Q.** How can life insurance companies rank so high financially these days, when their assets are stocks, bonds, real estate, and mortgages?

**A.** Their plan or method of procedure involves careful selection, even diversification, well-managed supervision, and gain in selling. This plan was designed for the very purpose of providing an ideal investment for the average man.

### Growth in Assets

**Q.** Could you outline the growth of assets in life insurance companies for the past thirty years?

**A.** In the year 1906, assets totaled almost three billion dollars. Four billion dollars' worth was reached by 1911, five and one-half billion by 1916. In 1921 the records indicate an increase to eight billion dollars, and three years later to ten billions. That huge sum was in turn doubled by 1934. Assets increased in 1934 alone by \$904,000,000, and the grand total last January was \$21,800,000,000.

### Assets Per Capita

**Q.** What are the assets of life insurance companies per capita of the total U. S. population?

**A.** In 1920, assets per capita were \$69.25. Ten years later, in 1930, they were recorded as \$153.77 per capita. Four years later, in 1934, assets per capita had increased to \$164.18.

### Mortgages or Bonds?

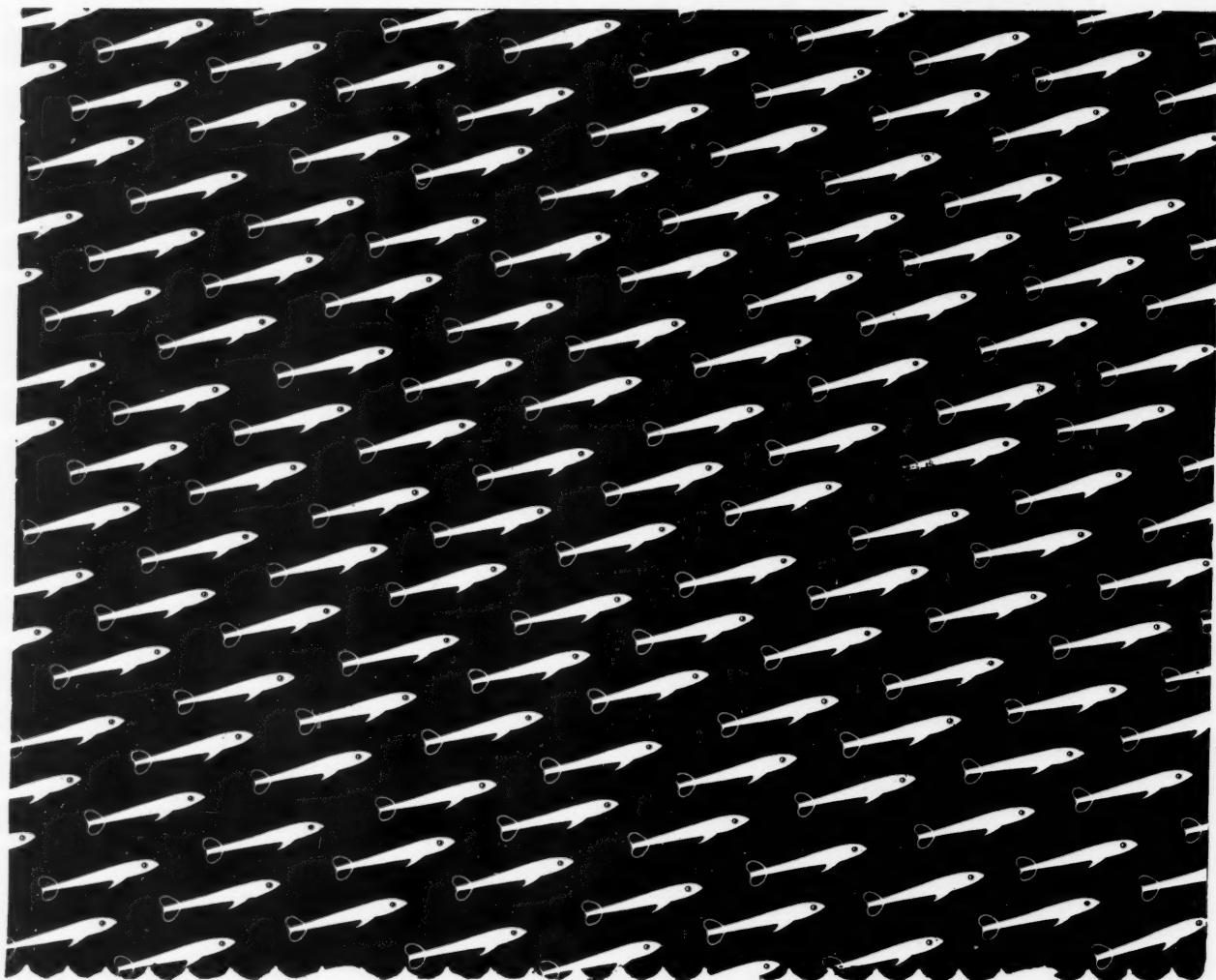
**Q.** Do insurance companies invest the greater portion of their assets in mortgages on farm and city property, or in first-mortgage bonds?

**A.** For many years life insurance companies have been among the chief holders of real estate mortgages—both farm and urban, but preponderantly the latter since 1921. The largest volume loaned on farm property was in 1927, on city property in 1931. The latter year also witnessed the peak of total mortgage holdings. Preference of the insurance companies for mortgages is due to the fact that they are long-term investments, bringing in a good return and corresponding to their own long-term indebtedness.

Readers are invited to submit insurance questions. Answers will be given by mail or printed here. Address: Insurance Service Division, Review of Reviews, 233 Fourth Ave., New York.

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